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ROYAL COMMISSION ON COASTING TRADE

CITY OF TORONTO

Hearings

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ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Halifax, Nova Scotia, commencing Tuesday, August 2nd, 1955 at 10:00 a.m.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W. F. Spence.

Mr. W.N. Wickwire, Q.C.)
) Commissioners
Mr. M. Belanger, C. A.)

Mr. D.W. Mundell, Q.C.)
) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G.G. McLeod - Secretary

---Mr. R. Cimon - Ass't Secretary

THE CHAIRMAN: Gentlemen, we are commencing the sittings of the Royal Commission on Coasting Trade in Halifax. I understand Mr. Smith has the first submission.

MR. SMITH: Yes, Mr. Commissioner.

THE CHAIRMAN: I think for the sake of the record we should have a listing of those present and the name of the client or organization which they represent.

MR. SMITH: I am appearing, Mr. Commissioner, for the Maritime Transportation Commission.

Associated with me is Mr. Rand H. Matheson, Executive Manager of the Commission; also, Mr. Chairman, Mr. A. M. McKay, President of that Commission will have a short statement to present.

THE CHAIRMAN: Yes.

MR. CHAPPELL: Mr. Chairman, I represent the Associated Boards of Trade of Cape Breton.

MR. PARKES: Mr. Chairman, A. T. Parkes. I represent the Maritime Provinces Board of Trade.

MR. McLANDERS: Sir, T. S. McLanders representing the Dominion Steel and Coal Company.

THE CHAIRMAN: Yes. Is there anyone else in the back row but Mr. Gerity?

MR. GERITY: F. O. Gerity, Dominion Marine Association. Mr. Donovan is with me.

THE CHAIRMAN: Are there any other appearances?

MR. BELL: J. K. Bell, Maritime Marine Workers Federation. Mr. Flemming, President of the Industrial Shipworkers Union Local 1 and Mr. Low of our organization.

MR. COPLIN: Coplin, representing Maritime Shipping Company, Liverpool, Nova Scotia.

THE CHAIRMAN: Mr. Smith, I understand you have the preliminary representations.

SUBMISSIONS OF THE MARITIME TRANSPORTATION COMMISSION

Mr. H. D. Smith, Counsel for the Maritime Transportation Commission.

Mr. Rand H. Matheson, Executive Manager of the Commission.

Mr. A. M. McKay, President of the Commission.

MR. SMITH: I just have a preliminary submission, Mr. Chairman. May it please you, Mr. Chairman and the other Members of the Commission, as you are aware we appear for the Maritime Transportation Commission. I understand that under the procedure which you have adopted the written submissions which have been filed are not read at the hearing but rather those who appear should summarize what they consider to be the important points in their written representations and stress any particular matter which they deem to be helpful to the Commission in relation to the subject matter to which the submissions relate.

I therefore intend with your permission, Mr. Chairman, to ask Mr. Rand Matheson, the Executive Manager of the Maritime Transportation Commission, who has already appeared as a witness at the hearing in Newfoundland, to speak to the Brief in the manner stated.

Before Mr. Matheson gives evidence, may I be permitted to assess a few points with respect to the position taken by our Commission. At the outset I may briefly say that the Commission is opposed to any course of action which may have the effect of increases in cost of transportation to industries, producers and shippers in these Provinces.

It is our respectful submission that low-cost transportation is essential for the movement of goods not only within these Provinces but also

between them and other parts of Canada. As you are all aware, water transportation has played and is playing an important role in the economic life, growth and development of these Provinces. This is, of course, largely because of the undoubted fact that the sea affords the cheapest avenue of trade for the natural resources and products of these areas. A very substantial part of the goods which are shipped from these Provinces are basic and primary commodities and primary manufactured products of relatively low value.

It is not an exaggeration, I submit, to say that the continuous movement of these commodities and products is of vital importance to us.

Our Commission therefore has endeavoured in this submission to demonstrate what we fear will inevitably ensue if the existing cost of water transportation is increased. While the cost of water transportation is in itself of utmost importance I submit it is equally of significance in its relation to other modes of transportation. As has been mentioned during the hearing in Newfoundland the rail freight structure of this country is very materially affected by the cost of water transportation. Through the influence of water transportation the commodities and products of these Provinces have been and continue to be carried by railways at costs which would not have been possible, both on goods carried on to the distant markets of this country, without such

reduction in the railway costs in many cases.

As the written submission of this Commission shows the products and commodities from these areas find an outlet in the markets of Central Canada and there compete with goods of other countries transported by water.

The position taken by this Commission is it is of paramount importance that the shippers in these Provinces can compete with the shippers of other countries and shall not be forced to pay higher charges or to have their shipments curtailed and if the suggestion that British ships, other than Canadian ships, shall be prevented from engaging in the coasting trade of Canada is carried out, economically this Province would be most prejudicially affected.

In endeavouring to reach the markets of Central Canada, the shippers in these Provinces have also since the advent of intense motor truck competition, been confronted with a greater disadvantageous relationship than they previously encountered from their competitors in that market, the market to which I referred, Central Canada. This is due to the shorter hauls of these competitors and the greater efforts by motor truck competition. Our competitors' costs are, due to these influences, held down and at the same time they have the benefits derived from the motor truck transportation which is not available to us.

In so far as our coasting trade is concerned

the volume of which is material, as our submission reveals, it does not appear that the preventing of United Kingdom ships from engaging in the coasting trade would result in any increase of vessels of Canadian registry. If the experience of the United States, where coastal and inter-coastal trade is restricted to American bottoms, is examined, it is found that the dry cargo vessels of their domestic shipping is in serious condition.

As to the suggestion about a nucleus or the establishment of a nucleus of a merchant fleet for defence and foreign service, we suggest respectfully that if special measures are necessary to foster such a development this should be put into effect without embarking on the very questionable restriction proposal of preventing coastal trade for Canadian ships only.

The Maritime Transportation Commission, therefore, most strongly opposes this restriction in coasting trade which it believes, of necessity, can have no other effect than a substantial increase in the transportation costs to the industries, producers, shippers and consumers in these four Atlantic Provinces. Such a restriction, in our respectful submission, and as far as we are concerned, has no compensatory advantages and would inevitably aggravate the present relatively disadvantageous economic position of these Provinces.

That, Mr. Chairman and Members of the

Commission, is all the submission which I wish to make at this time. May I introduce Mr. McKay, the President of the Maritimes Transportation Commission who has a very short statement to make on behalf of the Commission.

MR. McKAY: Mr. Chairman and Members of the Royal Commission. May I first extend to you on behalf of the Maritime Transportation Commission our warmest and most cordial welcome to this City of Halifax; and may I also say on behalf of the Commission, how very much we appreciate the fact that you are holding such extended hearings throughout this Eastern Section of Canada.

The function of the Maritime Transportation Commission, which incidentally serves these Maritime Provinces, is primarily as its name indicates to study and assess transportation matters that might affect, one way or the other, the economy of these Maritime Provinces and to combat, to the best of our ability, any procedure that affects adversely the economy of these Provinces.

Consequently, our interest in these proceedings stems from the fact that since we have been informed of the appointment of this Royal Commission, we have studied this matter very carefully and our studies indicate that if United Kingdom and Commonwealth shipping were barred from the coastal waters of Canada the effect would certainly be to increase very materially the transportation costs to some of our outstanding

(Page 1096 follows)

industries of these provinces.

Consequently, for this reason, as Mr. Smith has said, the Maritime Transportation Commission strongly opposes any change that will adversely affect the economy of this section of Canada. It is obvious to us, representing as we do the four Atlantic Provinces of Canada, that Newfoundland and Nova Scotia will be most seriously affected. However, our studies indicate that all four Provinces will suffer to some extent.

We have therefore embodied our studies on this matter and our conclusions in connection with this subject in a brief which will be submitted to you in due course. In this submission we have endeavoured to outline as clearly and as succinctly as possible what we believe will be the effect of this suggested change on the economy of these Maritime Provinces.

MR. SMITH: May I introduce Mr. M. R. Chappell of the Cape Breton Associated Boards of Trade who has a short submission to make.

MR. CHAPPELL: Mr. Chairman, and Members of the Commission. I have a very brief submission to make. As you know Cape Breton is tied in very closely with the economic situation of our Provinces and even further in the Province of Nova Scotia.

I represent the Associated Boards of Trade of Cape Breton which is composed of 14 Boards of the Island and we are a voluntary Association and,

we are acting on behalf of the citizens of Cape Breton Island and the business interests.

We realize the importance of transportation generally to the economic health of industries and the degree to which both coal and steel industries depend upon coastal shipping.

The Associated Boards of Trade of the Island of Cape Breton hereby express their support of the brief submitted by the Maritime Transport Commission; urge the Honourable Members of this Commission recognize fully the value of the Cape Breton coal and steel industries to the region, to the nation; and respectfully suggest the Commission give serious consideration to the detrimental effect increased transportation costs would have upon the markets available to the steel and coal industries.

MR. SMITH: May I also introduce Mr. A. T. Parkes, Secretary of the Maritime Board of Trade.

MR. PARKES: Mr. Commissioner, and Members of the Commission; the Maritime Provinces Board of Trade, with which the Maritime Transportation Commission is affiliated, is the federation of 110 community Boards of Trade and Chambers of Commerce located in the four Atlantic Provinces. The individual membership of these Boards and Chambers comprises some 6,000 to 7,000 business and professional men, farmers, fishermen and from other walks of life.

The brief presented to this Royal Commission by the Maritime Transportation Commission relative

to the coasting trade has been reviewed by the Executive Counsel of the Maritime Provinces Board of Trade. At the July 18th meeting of that body a resolution was passed endorsing fully the contents of the brief submitted.

MR. SMITH: May I now introduce, Mr. Chairman, Mr. T. S. McLanders for the Dominion Steel and Coal Company Limited who has a statement to make.

MR. McLANDERS: Mr. Chairman and Commissioners. The Dominion Steel & Coal Corporation, being aware of the position taken by the Maritimes Transportation Commission and having attended conferences preliminary to the preparation of their brief, do not consider it necessary to present on their own an extensive brief. To do so woudd, in a large part, be a duplication of what is contained in the brief referred to and thus be an unnecessary employment of time and space.

As the major industy in the Province of Nova Scotia, we do consider it advisable, however, to identify ourselves with the brief presented by The Maritimes Transportation Commission and to emphasize that we adhere to the stand taken in that brief, as to the effect on the industry with which we are identified, should the Coasting Laws of Canada be changed in such a way as to restrict the Coastal Trade of Canada to Canadian built and operated ships. It cannot be emphasized too strongly the adverse effect on the steel and coal industries in Nova Scotia, if it became mandatory

for them to use only ships built in Canada.

At the present it is not possible to find in Canada ships of suitable design for use in the coal, ore and limestone trades, involving cargoes totalling four to five million tons annually.

Even if Canadian built ships were made available the cost of hire, based upon the higher cost of construction alone, would be prohibitive.

The cost of building freighters in Canada and European countries is approximately --

Canada - $350.00 per d.w. ton

Britain $150.00 per d.w. ton

Europe - $150.00 per d.w. ton.

The high cost of construction is naturally reflected in the cost of operation.

A typical 10,000 d.w. ton ship, U. K. built, costs approximately $500.00 per day to operate, exclusive of depreciation and bunkers. A Canadian built ship of the same size would cost around $830.00 per day, exclusive of depreciation and bunkers. It is self-evident then, that the cost of moving goods by Canadian built ships will be substantially higher than by U. K. flag ships, so much so that as far as we can see, to make it virtually impossible to maintain our operations at the present level.

A marked tendency exists today on the part of many nations to restrict the movement of goods bought in other countries to their own flag ships. It remains to be seen how such policy will work out

in practice. Already there are signs of many disadvantages and dissatisfaction.

Indeed, evidence of the concern over interferences in this field is reflected in the following extract from the proceedings of the Organization for European Economic Co-operation, as contained in a recent edition of "Maritime Transport".

"Effective and cheap shipping services
"can only be attained if ships, irrespective
"of flag, can compete freely for cargoes
"throughout the world. State interference
"by Governments in this sphere, as
"demonstrated by unilateral and bilateral
"arrangements, results in a general dis-
"location of any effective and efficient
"system for the world's shipping trade; it
"gives rise to unnecessary ballast voyages
"and generally to the uneconomical use
"of tonnage, which in turn inevitably leads
"to higher freights. The non-maritime
"countries have as vital an interest in a
"properly balanced world shipping economy
"as the shipowning countries".

Few countries find themselves in the position of Canada, where one great artery of communication is icebound for nearly five months of the year. Canadian built ships would, in all probability be unable to compete in world shipping and would find it necessary to lay up for the period when the St. Lawrence River is closed to navigation and

thus add greatly to the expense of operation, which would have to be reflected in freight rates applicable to the time when the River is open. This fact has been a very important factor to the Dominion Steel & Coal Corporation throughout its whole history. They have found from experience that much the best arrangement is to hire U. K. flag ships, prefereably on a long term basis, and have them come into service on the opening of navigation and go off hire at the end of the season. The ships can then engage in trade anywhere else of the Seven Seas and thus derive additional revenue. Canadian flag ships would be unable to compete in world shipping, except under abnormal conditions, and would have to be tied up during the winter months and thus add to the cost of operation during the open season.

It is true that under the abnormal conditions following the war, DOSCO, in order to have transportation for ore and limestone, found it necessary, by force of circumstances, to acquire and convert into a suitable type for their trade, three ships built during the war and disposed of by the Canadian Government under special terms. We could not, of course, duplicate this arrangement today.

The Dominion Coal Company, having approximately two million tons of coal per annum to be transported, and in some years in the past it has been over three million tons, from its mines in Cape Breton to the St. Lawrence market, would be so adversely affected by increased cost

of transportation in Canadian built and operated ships as to make it impossible to carry on without some compensating factor. The transportation cost of moving coal from Sydney to the St. Lawrence ports in Canadian built and operated ships would be just about double the cost in U. K. flag ships. The coal mining industry of Nova Scotia is by far the largest single user of coastal shipping in Canada. How could an industry, already in serious financial position, absorb an increase in transportation amounting annually to not less than several million dollars in one segment of its market alone?

Ore and limestone from Newfoundland, required for the steel plant, Sydney, totalling over a million tons per annum, would similarly be adversely affected. The industries generally referred to as "DOSCO" have a very heavy charge in the form of rail and water transportation against the movement of their products in a highly competitive market. Successive horizontal increases in rail rates since 1948 have put the principal operation of "DOSCO", situated as they are at the terminus of long and tenuous lines of communication, in a position approaching jeopardy. It is difficult then to see how further transportation costs can be absorbed. DOSCO's cost of transportation already equals 15 per cent of total sales, but in the case of coal and steel from the Sydney area the figure is substantially higher. Few companies have to meet such a bill as this for transportation.

A suggestion has been made that U. K. and other Commonwealth vessels be barred only in the inland waters of Canada, as defined in the Canada Shipping Act, while permitting them to operate between coastal ports and between coastal and inland water ports, in order to satisfy objection that have been raised in this area against the proposal to bar U. K. and other Commonwealth ships entirely. Since of necessity DOSCO must oppose any measure which would, or might, increase transportation costs, at present or in the future, either directly or indirectly, in any manner whatsoever, it cannot accept the limited proposal without emphasizing its reservations in that respect.

From whatever angle this problem is viewed, one cannot escape its national and international nature with all the complications and ramifications involved.

Canada is small in population but great in trade, depending greatly on export trade for her national prosperity. Restrictive measures designed to force her coastal trade to be carried in ships of her own flag can have repercussions of a far reaching nature. If we are to export, it is plain that we must import an equivalency in goods and services to enable the buyer to pay for what he imports.

Canada has, on two previous occasions, built a sizeable ocean-going merchant navy and each time it has declined.

Stimulated by the tremendous necessity of

war, Canada built many ships and tried to keep them running, but on each occasion competition proved too strong.

It cannot be stressed too strongly that the proposal to bar U. K. and other Commonwealth ships from the coastal waters of Canada, presents a very serious threat to the principal industry of this Province and, resultantly, to its whole economy.

The steel and coal industries, situated as they are on the Eastern Seaboard of Canada, if compelled to use Canadian built ships for the movement of raw materials and the disposal of manufactured products, would find their already unhappy competitive position worsened.

MR. MUNDELL: Mr. Chairman, I would like to, subject to your direction, direct certain inquiries to Mr. McLanders if that will be satisfactory.

THE CHAIRMAN: Yes, proceed.

MR. MUNDELL: Mr. McLanders, I have two classes of inquiries, one refers to the statement you have just made and we have some questions left over from Newfoundland which I would like to raise with you; they may not have been left over, but matters that were raised in Newfoundland. You have mentioned industries generally referred to as "DOSCO". I wonder if it would be possible for you to outline for the record the industries that are operated or inside the term "DOSCO"?

A. First of all, there is the Steel and Coal in the Island of Cape Breton and then of course

there are industries in The Trenton Area of Nova Scotia.

Q. What industries would those be?

A. The Eastern Car Company of Nova Scotia. The Steel -- Trenton Industries Limited. The Acadia Coal Company. Then of course in the Montreal area--- There is the Trenton Steel Works too, and in Saint John, New Brunswick the Pender Company. In Montreal there is the Canadian Tube and Steel Products and in Toronto there is a small concern, a steel concern. The name escapes me for a moment. The Graham Nail Works, a very small company. Then there is the Bridge Company at Walkerville, the Canadian Bridge Company and the Canadian Steel at Ojibwa, which is very close to Walkerville. There is the ore producing industry in Newfoundland, the Dominion Wabana Ore Limited at Port au Port or Aguathuna on the West Coast of Newfoundland. Those are the principal -- and the Halifax shipyards.

Q. Could you in general outline the operations that are carried on in those industries or would it be sufficient to say they are mainly engaged in steel making or fabrication?

A. Steel and Coal are the main industries.

Q. And the other industries are associated with the steel, is that it?

A. Yes.

Q. Could you give, for the benefit of the Commission, any breakdown, any proportions or the number of persons employed in the coal mining part

of the DOSCO operation and any other parts?

A. The persons employed in the coal industry outrank the others very materially. It is about ten or twelve thousand men with full employment at present.

The steel at Sydney is roughly 4,000, The ore mines at Wabana, I think, is about 3,000, in that order. The Limestone Quarries at Port au Port would be about six or seven hundred men. The balance is distributed over the remaining companies and fluctuates, of course, according to the degree of operation. When Trenton is in full operation, the Eastern Car and Trenton Steel Works would probably employ two or three thousand, often up to four thousand, but not so just at the moment. The Pender Plant has two or three hundred. The Canadian Tube and Steel, the same thing applies there, according to the volume of their operations so as to the number of your employees, 700 to 1,000.

Altogether the employees of DOSCO total approximately 29,000.

Q. That is stretched out, as I understand it, in coal 9,000, in steel, mining iron ore and limestone it would be more than that and the balance in other industries.

A. Distributed throughout the other industries.

Q. The operation say as in Nova Scotia and in the Maritime Provinces what number would there be for that operation?

A. Much more than half, about 60 or 70 per cent of them in the Maritime Provinces.

Q. You have no subsidiary-owned shipping or devoting themselves to shipping operations?

A. We have.

Q. A subsidiary-owned shipping company?

A. Yes, we have, The Dominion Shipping Company. They simply own the ships, you see.

MR. SMITH: No, I don't think so. I think the title to the ships is in the Dominion Coal Company.

MR. McLANDERS: It may be.

MR. SMITH: I think the Dominion Shipping Company is a Shipping Agency.

MR. MUNDELL: Q. How many ships are owned by either one of these companies?

A. Three.

Q. They are Canadian-registered?

A. Yes, they are the Wabana, the Lewisburg and the Arthur Cross.

Q. Can you give us the tonnages?

A. 10,000 tons each dead weight.

Q. What other ships are used at the present? For example, I suppose you would have to have some?

A. We have in all, I think it is either 12 or 13. They are coming and going and the balance of the ships used by DOSCO are British flag ships.

Q. They are under charter?

A. They are under charter, under hire. Yes,

you might call it charter for the open season only.

Q. Are these long range charters or are some of them short range and long range?

A. I am sorry, I did not hear you.

Q. Are these long range charters?

A. Some are and some are not. We have on occasion had charters up for as long as ten years.

Q. Have you any of those now?

A. No.

Q. None?

A. But we have a three-year charter.

Q. What is the basis of the hiring of these vessels which you have under charter, what is the basis of pay; you do not take over the operation of the vessel?

A. No, the ships are hired at so much per dead weight ton. They come into our service with their own captain and crew and continue in trade until the close of the season back and forth.

Q. Have you any basis for comparison of the cost of operation of these United Kingdom registered vessels and corresponding vessels of Canadian registry?

A. Yes. When you say ships of Canadian registry, do you mean ships built in Canada or built elsewhere and registered under the Canadian flag?

Q. The three ships you operate?

A. The three ships we operate give us favourable performance but you must understand that these ships were sold to us under special terms

and conditions which we could not duplicate today.

Q. Do these terms and conditions have anything to do or would they affect the operating cost or amortization?

A. Why, of course.

Q. How?

A. Because you have more money tied up in a ship, a new ship that you would build and one you purchased at favourable terms.

Q. I am afraid I have not made myself clear. Is it simply because of the lower capital cost?

A. No, the cost of operation is much higher. Wages in Canada are much higher, as you know.

Q. Could you give us, for example figures comparing the cost of operating these Canadian vessels that you own with the cost of operating the U. K. ships which you have under charter?

A. We can. I will be very glad to give you those figures. I would not like to give them to you extemporaneously because they might not be correct but I will get it for you.

Q. Thank you, that will be very helpful if you will.

Can you give us an outline of the various routes upon which the various vessels you have operate?

A. Yes, the steamers are all loaded at these harbours here, either Sydney or North Sydney

that you visited last Saturday. That is where the cargoes originate and they take that coal to the ports in the St. Lawrence River, Quebec. Well, we first start at the Saguenay, most easterly, go up the Saguenay River to Ha Ha Bay to the Aluminum Company and some of the paper companies there. The coal is either discharged at Ha Ha Bay or at Chicoutimi and distributed to paper companies and those requiring it. Next is Quebec where these ships discharge their cargo, about three or four hundred thousand tons of coal. Next is Three Rivers. Then on to the Canada Cement which uses two or three hundred thousand tons of coal per year and then on to Baker Dyke, the Canadian Import Company and then our own discharging plant at Windmill Point, which is adjacent to Baker Dyke. That is as far as the larger ships can go.

Q. That is coal you are talking about now?

A. Yes. Now, the steel is shipped --.

Q. Before you go on to steel, what about Newfoundland?

A. We are loading for Newfoundland by -- not in these ships to which I am referring now. The Newfoundland trade is usually by a special ship for that trade. They cannot take the large ships there. They have not got the discharging facilities.

Q. None of your own vessels operate into Newfoundland?

A. Oh yes, they have. All our ore and

limestone comes from Newfoundland.

Q. On coal?

A. Sometimes, yes. It is actually sent over to our ore operations there for employees but that usually goes in our own ships but not full loads, four or five thousand tons at a time. It is a small bit.

Q. It would be correct to say actually going into Newfoundland is mainly by ships other than your company?

A. That is right.

Q. I am sorry, I interrupted you when you were mentioning steel and its shipment.

A. Well, steel is shipped to Montreal and in fact beyond there in smaller tonnage ships. The lake type, as you know, 14 foot draught. That sometimes will go up to maybe Toronto, maybe it is in that area. That is not a heavy movement. Then, of course, there is the movement to the Pacific Coast on occasion.

Q. How often would that be?

A. That depends upon conditions. The railway may want the business maybe they will quote a rate that doesn't make it advantageous to ship by water.

Q. I wonder if you could -- this is just to satisfy my curiosity -- explain how many ships do go around by sea to the West Coast?

A. We can give you the exact number for any period that you will name.

Q. Can you do that for the last three years?

A. Yes, I would be glad to.

Q. The ore and limestone from Newfoundland--

A. Yes.

Q. That is carried entirely in your own ships?

A. At the present time, yes.

Q. Ships either owned or chartered by you?

A. That is correct.

Q. At the present time are there exceptions to that?

A. No.

Q. Then it is carried---

A. It is, yes, at the present time as I say.

Q. In shipping to Montreal I take it that you are competing with coal coming from west of Montreal. As far as coal is concerned is it profitable to you to personally ship the coal west or do you stop it at Montreal?

A. I have known times when it is advantageous to do that. For example during the last war that was done.

Q. Would it be correct to say that the competition line is Montreal?

A. Pretty generally, yes. It is very difficult to compete beyond there.

Q. If the coasting trade was restricted to Canadian bottoms and resulted in an increase of cost, would you expect that line to move east of Montreal

or not?

A. That is a difficult thing to speculate on at the moment. There are a lot of conditions that would surround that.

Q. Suppose that larger vessels could go right through from Montreal in the New Canal?

A. That remains to be seen. I think it is very difficult to say what the pattern is going to be for transportation. You are referring to the deep waterway?

Q. That is right.

A. It would be very difficult. I do not know how any man can project himself into conditions five or ten years hence and say just how you are going to ship materials through the deep waterway.

Q. One of the difficulties is that the Terms of Reference require the Commissioners to project themselves. I wondered if you could make any opinion or forecast which would be helpful to them?

A. Well, you are going to have to employ large ships which have a high cost. Just how long it is going to take these ships to go down the various canals, Lachine and the other ones up above which are going to be built and so on. Whether or not that that ship will prove competitive, there are two schools of thought. There are people who say that the lake trade will be carried pretty much as it is at the present time only not in this type of ship, slightly larger. They think the large ship will not ply to inner waters. I do not profess to be

able to say whether that is so or not but that is what has been expressed.

Q. You mentioned two schools, what is the other school?

A. The others say it may happen, the ships may go right through. The others say "No, that trade will be confined to medium sized ships". The cost of the larger ships are pretty expensive per day. You see, they have to operate through canals where at times, as you know, the density of traffic may hold your ship up. Already you have density of traffic in the Welland Canal.

Q. You cannot then predict under the present circumstances as regards your own vessels whether you will be able to compete in Lake Ontario or not or whether---

A. I think the tides may say between ships going up. A ship coming down as the tide with it.

Q. Maybe it will come back a little faster. You cannot say whether the line will move under those circumstances?

A. No, I don't think any person can.

Q. But you feel in any case in the event of restriction to Canadian bottoms there would be increased cost? That is your point?

A. That is right.

Q. You mentioned the Halifax Shipyards was one of the group in the industry generally referred to as DOSCO, I believe; correct me if I

am wrong, that industry has associated itself with the shipbuilders' brief?

A. I believe they have.

Q. Superficially it would appear there is at least a conflict of position between those two members of your organization. Of course, it is possible with a leg in either camp you can win in either case or lose in either case. Why would it not be possible to reconcile the two conflicting interests by adopting the policy something along the line of the United States by subsidizing Canadian building so that the Canadian capital costs would be equalized with foreign costs and subsidize as they do in the States not ocean traffic but for coasting?

A. Is the United States very happy over their arrangement?

Q. Well---

A. I would suppose you are aware of the fact there are two principal departments of the United States Government who take absolutely opposite views on this point you are making.

Q. I did not know. What are they?

A. I might have something here. The Department of Commerce is one.

Q. I do not know if the identification of the specific departments is probably very necessary.

A. Well, that is a discussion of policy. I will get it for you.

Q. I am afraid I put my question rather

broadly. Maybe I can get it broken down a little bit.

Assuming that the shipbuilding industry, as it has put forward in its brief, requests the restriction of coasting trade to Canadian bottoms. Assuming the recommendations that your company has now put forward, it should not be restricted, could you not reconcile those interests by subsidizing the shipbuilding yards which would leave you in the present position you are in. I am wondering why you did not recommend that as one possible course?

A. Why we did not recommend it, well---.

Q. Or had you thought of it. Did you study it?

A. I do not look upon that with great favour. This business of subsidizing and attempting to make yourself competitive --. Q. It would be advantageous, it is urged upon the Commission, to maintain the shipbuilding industry here which might otherwise disappear, it is said. I was just wondering whether there is any possibility of reconciling those points are we present with "The left hand knoweth not what the right hand doeth"?

A. Of course, what we have to do is market our products of steel and coal. I think we do fear what would happen to us comparatively if we were compelled to use Canadian-built ships and manned ships.

Q. Unsubsidized, of course.

A. Well, whatever you like.

Q. Would you have any objection?

A. I think you will see that in the submission I read. I said that it would be impossible to carry on without some compensating factor.

Q. That covers a lot, that compensating factor, does it not? That might include subsidies even?

A. It could.

Q. Then there are two or three small points which I was wondering may be cleared up. In your submissions you mentioned certain figures; $350 per dead weight ton for Canadian vessels and British and European $150 per dead weight ton. Can you give us the source of those figures?

A. The source of those figures are from trade journals. I think it is common knowledge. I believe that is supported by the brief of the Canadian Shipbuilders, isn't it?

Q. As a matter of fact there is a lot of these figures which are apparently common knowledge. I was wondering if you could give us the source of this particular one?

A. This came from publications on shipping.

Q. Could you let us have a list of them?

A. Perhaps I can. I think it was out of Fair Play and from our experience I should say as well.

Q. You have not taken any bids to build recently?

A. No, we have not.

Q. Would it be inconvenient to ask you to let us have the sources of these figures?

A. Sure, very glad to.

Q. By letter to the Secretary will be fine.

I notice in the figures you gave on a 10,000 ton ship operating cost, they differ slightly from those of the Commission, the Maritime Commission, a matter of $20 although, as a matter of fact yours are more favourable to Canadian ships?

A. Of course, we are using today ships both of the British flag and Canadian.

Q. You are not paying the operating costs for the British flag ships. You are just paying a daily charter hire?

A. That is right.

Q. In other words those figures may be slightly rounded off?

A. They may be.

Q. One other thing. I wonder if you could give us on this aspect, can you give us a breakdown in the cost of a ton of coal delivered at Montreal, as to any present ship rates or as to the cost of mining and the cost of transportation and any other matters which are considered?

A. I am afraid I couldn't give you that right off the bat but I can supply that.

Q. Can you also give us or have you any projection as to what the cost might be or would be now if you were restricted to Canadian bottoms?

A. I think I say here---

Q. Per ton?

A. It would be double.

Q. I was just wondering why you say double?

A. That is what the figures show, sir.

Q. Can you give us the figures?

A. Yes, I would be glad to.

Q. Thank you very much. Now, we can then go on to one or two questions that were raised before the Commission in the hearings in Newfoundland. It was said there with respect to shipping of coal into Newfoundland, two objections were put before the Commission as to the present arrangement. I may say some of these may not be within the jurisdiction of the Commission, but we wondered if you could give us assistance on this. It was said firstly that in the case of Newfoundland schooners coming to North Sydney to load up coal, they found they were delayed for periods as long as three weeks in loading and also that apparently steamships could come in after the schooners and were allowed to load first. I wonder if there was any explanation for that situation?

A. Yes, sir, there is. Now, Newfoundland outports, even the City of St. John's for many many years has been supplied by North Sydney coal, which they preferred, greatly preferred to any other, and this coal was hauled by small schooners and motor vessels up to three hundred or four hundred tons.

Now, these vessels got their coal at what we

call the low pier, the low pier for loading these smaller craft. They come into harbour. Sometimes they report. Sometimes they make out an application but more often they don't. Sometimes they just come in on spec :that they are going to get a cargo of coal, you see, to take down to Newfoundland. We try our level best to satisfy all comers.

This question came up in June 1952. I went to Newfoundland along with our sales representative. We had a meeting there with the Board of Trade and with the Provincial Government at that time and we ironed the thing out. I am surprised this matter has come up because I have not heard any complaints and that is three years ago.

You see, we went into the whole question at the time and, as far as these ships waiting three weeks, I will endeavour to show you how ridiculous that is.

I do not say that a schooner or motor vessel has not waited at Sydney, but we must look into all the conditions. Schooners loaded for Newfoundland in 1954, 633; Schooner total tonnage 82,085. Average cargo 133 tons. Average time in port two days four hours and fifty-nine minutes. That is the average time those vessels were in port.

Q. How would you estimate the average time they are in port, from the time they report to you until the time they are loaded?

A. This is at the shipping office, they receive the cargo.

Q. From the time they reported to you?

A. Sure. Do not forget this that these schooners have also other things to do when in port. Sometimes repairs to their engines or bulkheads or something else on the ship. They have to get their victuals and their oil and so on. That takes time.

I think that we have done a wonderful job with these people in Newfoundland. I am afraid perhaps they have not got very long memories.

During the last war when Newfoundland was not yet in Confederation, we looked upon that Province as the tenth Province of Canada as far as the coal supply went and never did any householder or institution or industry go without coal all through the war. When coal was in short supply and ships were in short supply, DOSCO found ships and found coal and Newfoundland got supplied continuously throughout that time.

I cannot understand this business of complaints now about the loading of coal. It must be an isolated incident or someone through a combination of circumstances did not take advantage of what is provided for them.

Q. How long would it take to load a schooner once it is alongside the pier?

A. Six to seven hours. We can load more than one at a time simultaneously. We are set up there to load three small ones or two large ones and one smaller one simultaneously.

Q. That would be two days and four hours,

was it?

A. Yes.

Q. That would be the time from reporting to you until loading?

A. Until the vessel is loaded and ready to go.

Q. The other time, I would like to know---

A. I would not know what they are doing in the other time.

Q. Say six or seven hours for that so that would be approximately two days, is that correct, for a vessel?

A. Yes, the figures show that.

Q. That would mean there would be an average, some above and some below. There may be some extraordinarily long cases but you have to average it all up?

A. I know of no port in the world where a ship can bob in and go into a berth and get a load in.

Q. In what order do they load?

A. The way they book. They load in the order in which they book, so if some fellow has pulled in and he comes in he must not expect to take the place of a man who has cleared.

Q. Could a ship that was there be passed over by someone else coming in who had precedence?

A. I don't see how it could be. They are loaded in order.

Q. They could not---

A. Of course, if it was some striking case.

Q. Perhaps I am not making myself clear. Could they wire and book for a load at a certain time in advance?

A. Oh, they have to do that. They should do that. That is one of the things we agreed on in June 1952. They would set up a central agency to do their booking. They cannot always have a booking because in the outports of Newfoundland there is no telegraph or telephonic communications.

Q. What I was really asking is this. Say that a steamer comes in having given a prior booking but comes in after the schooner and it loads before the schooner because the booking was prior?

A. Well, the schooner is only one class of trade and the small motor vessels and a large 10,000-ton ship costs up to $1,000 a day to keep in business. I think you would let the larger ship first.

Q. Even if it had not booked?

A. Yes, but it has booked in. One of the large ships costs $1,000 a day and a schooner costs $40 or $50.

Q. Do the larger ships load in the same space as the schooners?

A. On the other side of the pier. Do not forget this, please. I would like it to go on the record. When these schooners are delayed in loading at North Sydney, they have the option of going across to the other side and loading the same grade

of coal at the pier there but they just have not got the habit of doing that.

Q. Could they call that "North Sydney coal"?

A. "North Sydney coal", yes. That is what they call it.

Q. Could they call it that?

A. They won't take anything else.

Q. Could they call what they take to the other side the same coal?

A. No.

Q. It would not be marketable for them, is that correct?

A. There is no difference. The e two things are only separated by a barrier about 500 feet. Under the sea there is a barrier between them, I think about 500 feet. It is the same coal.

Q. Would they have different names?

A. Well, true. One is No. 12 and the other is Princess.

Q. Now, I would like to come to the other problem that was raised and that was it is alleged that the coal arrives in Newfoundland in a degraded condition because the loading facilities are such that, as I understand it, it drops the coal from a much higher height than is feasible and I think mention was made of the possibility of using a spiral loader?

A. I can assure you there is no such thing as dropping coal 60 feet or 70 feet or 40 feet.

Q. I do not think any figures were

mentioned except it was an excessive height.

A. Well, if you call hanging the chute practically resting on the combing of the hatchway where the coal is poured in an excessive height, I can't, because that is what happens at North Sydney. The chute goes down practically to the combing. The coal has to be put right down otherwise the coal would spill into the sea. The chute goes down practically to the combing of the hatch.

Q. And there is a drop then from the combing to the bottom of the hold?

A. Well, there is bound to be when you start, you know, until the coal accumulates a little bit at the bottom and then produces its own cushion, you see.

Q. You say that drop at the maximum is from the combings to the bottom of the hold?

A. Yes. In these small schooners it can't drop more than five or six feet at the start. Then, of course, as soon as a little bit gathers in the bottom of the hold it forms a cushion.

Do not forget, of course, that some coals are more friable in their composition than others.

Q. Some coals are more friable?

A. They break more easily than others. Hard coal would stand up against any amount of handling. It is just virtually impossible to load and trim coal without there being some breakage. It has to be.

Q. You would deny there was any excessive

breakage?

A. There is no excessive breakage, no.

Q. Have you ever had a delivery of a cargo of coal rejected on the grounds of condition?

A. I have not had one rejected.

Q. Has your company?

A. I do not know of any.

MR. GERITY: I wonder, Mr. Chairman, if I might as a few questions.

THE CHAIRMAN: Yes, proceed.

MR. GERITY: Q. I represent some of the Great Lakes owners, Mr. McLanders, also some of the ship-builders including your own firm. Has your firm ever received any Government assistance?

A. Did we ever --?

Q. Did your company ever receive any Government assistance?

A. In the line---

Q. By way of subsidy?

A. I don't recall any assistance paid by way of subsidy. There might have been but I don't recall it.

Q. I always thought there were some moneys paid. There is subvention by way of reduction in freight costs?

A. That is what we are talking about. We do not want to go any higher.

Q. Was there not a very large amount of material sold to England recently under some special basis?

A. Well, there was some material sold to England. I do not know what arrangement financially was made.

Q. Is it true for me to say that when you acquired these ships from our Government that other shipping was quite unavailable?

A. Quite right.

Q. In other words several years after the war shipping was unavailable?

A. Well, as we know, the tonnages that had been sunk were not yet replaced.

Q. In the shipping business, would you suggest, for instance, it was a good policy for Canada to have its Great Lakes fleet put out of business?

A. I would not suggest that, no.

Q. In your shipyards here, have you built any ships there other than warships?

A. Yes.

Q. Recently?

A. Not recently. During the first World War, 1918, I think they started -- they built four freighters, about 10,000 tonners. They represented the first attempts to have a Merchant Fleet in Canada.

Q. They did not build any merchant ships in the last war?

A. I don't believe we did. Not that I can recall.

Q. Your principal work is now repairing?

A. That is one of the principal things.

Q. Your have naval contracts as well?

A. I believe there are ships there on the ways.

Q. But you have no ships on order?

A. Not that I know of except naval craft.

Q. No merchant ships?

A. No.

COMMISSIONER WICKWIRE: Q. Just a couple of questions. May it have been that during the war the Halifax Shipyards were allocated, because of its position, to repairing rather than building?

A. Well, they did a tremendous amount of repair work, that is certain. We listened to Mr. Nelson yesterday.

Q. Could you let us know just what number of ships repaired amounted to during the war?

A. I think he said 7,500 during the whole period of the war. Remember this, I was not in this area during the war but I do know that the repair work that went on there was tremendous.

Q. Mr. McLanders, the Princess coal is the coal to which you referred as Old Sydney?

A. That is right.

Q. The No. 12 comes from across Sydney Harbour?

A. Yes.

Q. Is the Princess coal treated in any other way than the No. 12?

A. The coal from North Sydney, of course, goes through a wash rig which is of recent origin.

Q. And the No. 12 coal does not?

A. No.

Q. Is the Princess coal oiled?

A. Yes.

Q. Is the No. 12 coal oiled?

A. No.

Q. Might that be the reason that the Newfoundlanders prefer the Old Sydney to the No. 12?

A. No, I think not, because the washer has only been in operation for two years and they have always wanted North Sydney coal. They have never wanted to depart from that although it was repeatedly pointed out to them they can get the same coal by just going across the harbour. They have been in the habit of going to North Sydney. They have their agents there, Saint Hill and Salter who are their two agents. They book their coal. It is convenient for them but they could take their schooners or their motor craft and get coal by going across the harbour and just as satisfactory coal.

MR. J.K. BELL: I wonder if I might ask Mr. McLanders some questions.

MR. BELL: Q. Mr. McLanders, is it not true that there is some conflict or discontent amongst the British seamen? Has your company noticed the state of discontent expressing itself from British seamen who are employed on your chartered vessels to the extent that they are demanding wages in line with those wages paid to Canadian seamen?

A. It has not come to my attention.

Q. Were you aware that one of your charter ships was tied up by British seamen in the past two years?

A. Oh, I do recall a tie-up over some disagreement but these things occur all the time.

Q. Was that dispute not settled by an adjustment of wages to the British seamen and an allowance over and above their basic rates?

A. I believe that two or three years ago the British owners gave their seamen some concession by way of money for this or that or the other thing. Perhaps that is what you are now referring to, is it?

Q. That is right. Were you aware that there is continued discontent expressing itself by British seamen because of spending a great deal of the year over here in the open season and they feel that since they spend that time in Canadian waters and are subject to the Canadian living costs, that they should receive---

THE CHAIRMAN: Just a moment, Mr. Bell. You will have an opportunity to give evidence but at the present time you are asking questions and your last statement was evidence and not questioning. Have you any further questions?

MR. BELL: I think I have one more.

Q. I wonder if Mr. McLanders could give the Commission any details as to what Argentine vessels were obtained by the Halifax shipyards, if the Canadian yards face a great disadvantage in

voyage costs over European yards? Three vessels were built in Argentina from the Halifax shipyards?

A. I wouldn't be able to give you any comment on that point at this time. I just happen to know they built two or three about three or four years ago. That is all I can tell you.

THE CHAIRMAN: Are you going to proceed with Mr. Matheson now.

MR. SMITH: I would have thought so.

THE CHAIRMAN: I think we will take a recess for ten minutes now.

MR. MUNDELL: Mr. Chairman, may I suggest before recess that if the others who are going to be making representations would speak to either Mr. Gerin-Lajoie or myself we might be able to arrange our timetable so everybody will know when they will be called.

MR. CHAIRMAN: Yes, of course.

---Recess at 11:30 a.m.

---Resumed at 11:50 a.m.

MR. SMITH: I will call Mr. Matheson, Mr. Chairman.

RAND H. MATHESON, called

BY MR. SMITH:

Q. Mr. Matheson, you have already given evidence at the Hearing in Newfoundland?

A. That is right.

Q. Perhaps you can tell the Royal Commission on whose behalf the submission of the Maritime

Transportation Commission has been prepared and filed?

A. In addition to the Maritime Transportation Commission itself it should be mentioned that this submission is on behalf of the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and with the approval of Newfoundland, which the Commission knows has filed a separate brief to the extent that Newfoundland stresses the maintenance of the status quo.

Q. Mr. Matheson, your submission is rather lengthy and in addition to the representations made on the 22 pages there are various statements attached and accompanying the submission. Perhaps it would be in order if I asked you some questions in explanation of those statements. I understand that Statements Nos. 1 to 8 inclusive have already been discussed by you in Newfoundland?

A. That is right. These statements form part and parcel also of the Newfoundland Government submission.

Q. We come to Statement No. 9 and that consists of Part 1 and Part 2, is that correct?

A. Part 1 and Part 2 of three pages.

Q. What is part 1?

A. Vessels of British registry other than Canadian employed as of June 16th, 1955 by steamship operators conducting regular carrier services in the coastal and inter-coastal trade related to this area.

Q. Under A of Part 1, to what do you refer?

A. There is mentioned there the motor vessel Ste. Adresse. It should be pointed out that this vessel was substituted for the Lunan and that the Ste. Adresse is a vessel of Canadian registry.

Q. What is Part 2 of Statement 9?

A. Part 2 of Statement No. 9 lists the vessels in regular scheduled service that are of Canadian registry according to the information received by this Commission.

Q. Would you also explain Statement No. 10?

A. Statement No. 10 sets forth cargoes to and from Great Lakes St. Lawrence ports and Saint John, N. B. and Halifax, N. S. for the period 1932 to 1933 inclusive.

Q. Where did you get that---

COMMISSIONER BELANGER: Q. Is that 1933 or 1936?

A. 1936.

MR. SMITH: Q. Whereddid you get the information upon which this data is prepared?A. This data was prepared by the Maritime Transportation Commission from information made available at that time, that is approximately 1937 and was incorporated in the submission by this Commission opposing the regulation of water transportation as originated in Senate Bill B and House of Commons Bill No. 31 in 1937 or 1938.

Q. Would you also explain Statement No. 11, please?

A. Statement No. 11 sets forth the tonnages transported by Inter-Provincial Steamship Lines regular pre-war common water carrier service between ports on the Great Lakes-St. Lawrence waterways and Maritime ports during the years 1933 to 1935 inclusive.

Q. Where did you obtain the information on which that is based?

A. This information likewise was prepared in connection with the Commission submission to the Government Senate and House Committees considering transport Bills and was obtained from the company concerned.

Q. Would you explain Statement No. 11, please?

A. 12.

Q. 12, I mean.

A. Statement No. 12 sets forth the comparisons between rail and water rates on various commodities between Maritime ports and Montreal for the year 1937.

Q. The source of this information is shown on the Statement?

A. The source is shown in the Statement.

Q. After the preparation of these Statements you found there was some difference between the mileages, in other words, between the nautical and the statute mileage. Do you regard those as of importance?

A. I really think there should be a

correction there, Mr. Smith. As stated subsequently to the compilation of these Statements it appeared to this Commission that the nautical and corresponding statute mileage from Montreal, Quebec, and Toronto to Corner Brook, Newfoundland viz-a-viz Sydney, Nova Scotia did not appear correct. We communicated with the Acting Director of Marine Services, Department of Transport, Ottawa and, according to a telegram received, the nautical mileage from Montreal, Quebec to Corner Brook, Newfoundland should read 724 miles and to Sydney, 733 miles. On this basis the mileage between Toronto, Ontario and Corner Brook, Newfoundland nautical should read 1,008.

Q. Instead of what?

A. Instead of 1,034, statute 1199 instead of 1,229. Toronto, Ontario to Sydney nautical 1,017 instead of 996, statute 1,209 instead of 1,184.

Now, down the next part of the Exhibit Montreal to Corner Brook, 724 instead of 750, nautical 861 instead of 892 statute. From Montreal to Sydney 733 instead of 712 nautical, 872 statute instead of 847.

Correspondingly in connection with Quebec, Quebec to Corner Brook 585 instead of 611 and 696 instead of 726. Quebec to Sydney 594 instead of 573 nautical and statute 706 instead of 681.

Q. Would you explain what the principal purpose of this Statement No. 13 was?

A. The principal purpose of this Statement is to show the comparative mileages by water and

rail from and to ports indicated and some of the principal destinations in the Maritime territories. An illustration of all rail as in the case of Toronto, Ontario to Corner Brook, Newfoundland. For example, it emphasizes the competitive condition favouring water transport and this particularly shows that the service factor by the rail route, North Sydney, Port aux Basques, is taken into consideration.

On the other hand it is interesting to note from Toronto, Ontario to Saint John, New Brunswick the all-rail statute mileage by the short line route is ---

Q. What do you mean by the "short line route"?

A. That would be C. P. R. via Boundary, Quebec into Saint John.

Q. Instead of by C. N. R.?

A. That is correct. The short line route is 810 miles whereas the all-water mileage is 1,775 miles via the Cabot Strait. These latter figures point out the favourable competitive position of the rail carrier in lieu of water carriers and stress the intangible advantage of water transport in this particular instance.

Q. Perhaps you could state with relation to Statements Nos. 14 to 30 inclusive?

A. In Statements Nos. 14 to 30 inclusive there is set forth for ready reference of your Commission statistical data of domestic vessel cargoes from the four Atlantic Provinces broken

down as to quantity loaded and unloaded at ports where there is a collector of Customs and Excise.

The purpose of this statement is to show the substantial volume of domestic cargoes loaded and unloaded at ports in the four Atlantic Provinces. It is to be pointed out and indicated that this Statement includes the so-called rail traffic between Digby and Saint John and between North Sydney and Port aux Basques which is loaded on the Princess Helene in one case and the Cabot Strait and other vessels in the other.

These figures in these Statements show what is loaded and unloaded at the respective ports and Provinces, although some of these figures, for example, shown as loaded at North Sydney may have originated at ports other than in the Province of Nova Scotia. Similarly---

Q. In other words, you mean that this was traffic that originated outside of Nova Scotia and was loaded or unloaded at the Port of Sydney?

A. Yes, according to the returns of the D. B. S. that traffic would be shown as loaded at North Sydney or a Nova Scotian port and unloaded at Newfoundland. Now, the traffic could originate in Ontario or it could originate in Quebec or some other Province other than Nova Scotia.

Q. Does that apply to shipments from Halifax?

A. That would apply also in connectinn with the so-called rail traffic that would be

handled through Halifax instead of all-rail or by North Sydney and routed to Saint John to a carrying water line like Furness Withy or Newfoundland-Canada. The same thing would apply.

Q. Do these statements indicate that a substantial volume of all carriage were basic and primary commodities?

A. That is correct.

Q. Carried on water transporation?

A. Within the Maritimes or between the Maritimes and ports in other parts of Canada.

Q. Dealing with, Mr. Matheson, statements Nos. 31 to 34 inclusive, would you explain those Statements to the Commission?

A. Statements Nos. 31 to 34 inclusive were prepared or run off, if you would, at the request of this Commission or a request rather from this Commission to the Dominion Bureau of Statistics. It sets [illegible] the number of arrivals and departures of vessels of United Kingdom and other Commonwealth registry at Canadian ports with cargoes from other Canadian ports by Provinces for the year 1953.

This information, as stated was obtained from the Dominion Bureau of Statistics and it shows quite a substantial number of voyages by Commonwealth registered ships, other than Canadian, in so far as this territory is concerned, viz-a-viz the relatively few voyages by Commonwealth registry ships other than Canadian between other

ports and other parts of Canada.

Q. Does that also indicate anything else to you?

A. It also emphasizes the substantial dependence of this territory on U.K. vessels and bespeaks the influence of the relatively lower cost of these ships while at the same time facilitating the freest movement of trade as it affects region of Canada.

Q. I understand Statement No. 35 was based on material which you received from the Dominion Steel and Coal Corporation Limited?

A. That is correct. For that reason I do not think it is necessary for me to speak to that unless some questions may arise which perhaps should be directed to Mr. McLanders.

Q. I refer you to Statement No. 36. Would you please explain what that is intended to cover?

A. Statement No. 36 is an abstract of information received from the Canadian Maritime Commission covering Canadian flag vessels of 1,000 gross ton and over engaged in the coasting trade as of December 31st, 1954, the number of vessels engaged in the Atlantic coast trade totals 41 of which 8 are tankers. It is interesting to note that these figures include ferries operated by the Canadian National Railway and the Canadian Pacific Railway Company and the Canadian National Newfoundland Steamship Service total in all 12 out of the 41.

Q. Statement No. 37, would you explain what that is?

A. Statement No. 37 is an abstract from estimates of the House of Commons for the fiscal year ending March 31st, 1956. That sets forth the Eastern Coastal Services between Canadian ports, including ferries for which Federal subventions are paid with the subvention estimates for the years 1955-1956 and 1954-55, otherwise this statement speaks for itself.

Q. Is that all you wish to say with respect to these statements accompanying your submission?

A. That is all, Mr. Smith, I wish to---

Q. During the course of my friend, Mr. Mundell's examination of Mr. McLanders he asked one question to the effect as to whether Mr. McLanders knew that there was an operational subsidy in the United States' coastal trade. Have you any information on that point? Do you know what I want?

A. I am not aware that there is a subsidy--

MR. MUNDELL: I beg your pardon when I asked if there was an operational subsidy, I referred to ocean-going trade, not to coastal.

MR. SMITH: I misunderstood you.

THE WITNESS: That is the answer.

MR. MUNDELL: I have a very few questions I should like to ask you. You have covered everything so clearly in your brief and in the appendices to it that there is not too much more I need to cover. There are one or two statements in the brief the

meaning of which I would like to clarify also that arises out of this testimony you have given. On page -- I am using the bound edition -- I wonder if that would be convenient to you?

A. That is fine.

Q. On page 2 at the second last sentence in the first paragraph under the heading "Low Cost Water Transport in the Maritime Economy" the second last sentence says that "The 1953 Waybill Study of The Bureau of Transport Economics reveals that 84% of the rail carload tonnage originating in the Maritime Territory moved on commodity rates.". I may have misunderstood you in Newfoundland but I thought you put it at 90 per cent of the freight was on class rates. Am I correct?

A. That is 90 per cent of the class rate traffic that originated -- I am speaking there of material coming in from the Central Provinces destined to Newfoundland moved at class rates but this particular statement here is of traffic that originated in the Maritimes, 84 per cent moved on commodity rate traffic.

Q. That is, 16 per cent would move on class rates?

A. Not necessarily so. This is traffic from Montreal that moves eastbound from the Central Provinces to Newfoundland, you have class rates. This material originated in the Maritime Territory itself.

Q. The other 16 per cent would be class

rates?

A. Not necessarily so again. Roughly speaking -- I will give you the exact figures.

Q. I am not sure that is of tremendous significance.

A. I will give you the information or I will submit it to you.

Q. Actually I was wondering---

A. I have it here. It is a matter of checking it up for you. There is class rates, competitive rates -- I am speaking roughly. I think as far as class rate traffic of the Maritime Provinces is concerned it is in the vicinity of five per cent, that is, originating in this territory.

Q. Then this 90 per cent to which you refer does not include the Maritime Provinces?

A. No.

Q. It is the other way around?

A. That is right.

Q. What would the figure to Canada be, the other way traffic?

A. I have that figure for you as well. I will give it to you. I just cannot pick it up. It would be -- the commodity rate traffic would be relatively high.

COMMISSIONER WICKWIRE: Q. Out of Newfoundland?

A. Yes.

MR. MUNDELL: Q. What about the reverse figure for goods in the case of the Maritime

figure , that is limited to the three Provinces?

A. No, the Maritime Provinces intend to use the four. This is subject to the exact figures again. I am speaking just from memory, of the class rate traffic originating say in the Province of Ontario, approximately 45 per cent moved on class rates to the Maritime Territory inclusive of Newfoundland.

COMMISSIONER WICKWIRE: Q. Do they bring the bulk of their cargo on commodity basis?

A. I am speaking of rail traffic in that particular instance.

Q. On the 90 per cent?

A. That is right.

Q. The rail traffic only?

A. That is right.

MR. MUNDELL: Q. On page 5 of your submission, which is B-100 in the bound volume, I am not clear what this sentence means where you say "While, compared with the pre-World War II, there has been a curtailment of regularly scheduled, common carrier water services between some segments of the Maritime Territory and Central Canada, it cannot be gainsaid that the competition is not more actual than potential in respect of all Maritime ports." I am not clear what that means.

A. Well, there has been a supply of regular common carriers into--. There were ships coming down from the Great Lakes and St. Lawrence waterways that have called at the Port of Montreal

mainly with cargo and discharged cargo there so actually I would say that is actual competition rather than just potential.

Q. The fact there is potential competition there, has a tempering influence on rates?

A. That is right. Actually, for example, there have been ships that ply on a regular common carrier service that stop off at ports, for example, at Sydney and discharge cargo. Therefore it is the actual shipping, the fact that these boats are operating here that is the ever-present potential.

Q. Which is more important, the potential or the actual?

A. Well, under the Transport Act, I want to clear that point---.

Q. I am wondering as a matter of fact --?

A. That is what I had in mind, Mr. Mundell, if I can refer to it.

The Board of Transport Act (sic) (The Railway Act) under Section 334 states that "The Board may provide that

"any competitive rate may be acted upon and "put into operation immediately upon the "issue thereof before it is filed with the "Board, or allow any such rate to go into "effect as the Board shall appoint."

"The Board may require the Company "issuing a competitive rate tariff to furnish "at the time of filing the tariff, or at "any time, any information required by "the Board to establish that ---"

"(a) The competition exists."

Q. I see. At the moment are we agreed we are talking about when they have a scheduled rate?

A. No, this is where the Board -- for example, the railway puts out a rate to meet competition that they are getting from say a truck company. The Board may require the railway to give information, detailed information about what the actual competition is so they would use the words "actual competition". That is what I had in mind in connection with Section 334, Subsection 2 (a).

Q. Now then on page 7, actually, you start on page 6 under the headnote United States Experience, you go on over to page 7. You give certain figures and the source of those figures you have given in the footnote, I take it?

A. Yes.

Q. Have you any views as to why this has happened, what has occurred inthe United States?

A. Well, in following some of the Inter-State Commerce proceedings where likewise they have to apply for an increase in the freight rates, as you know, by law either for the coastal service or inter-coastal service, they are required by the Inter-State Commerce Commission to appear, the representatives of these operators to have their rates increased. Also, there have been several cases involving rates inter-coastalwise and on the Pacific Coast.

In other words, the competitive situation of

rail carriers -- I am glad you mentioned that because this is a factor that possibly can be encountered in Canada very easily. That competitive situation has been -- other than rail carriers -- reduced by the members to meet competition as it affected particularly -- when conditions are boyant like they are at the present time where despatch is an important factor in your costs to and from different places.

The steamship lines have felt the effect of that rail competitive situation. I think I should add they are going extensively into this and cognizance should also be taken of the agreed charges which we have in Canada and which they have not in the United States, the possibility also of the railways sewing up a large segment of the traffic and taking it away from some of the Lake operated boat lines.

Q. I take it you are saying that notwithstanding the subsidy policy in the United States the railways and trucks have still out-competed them?

A. I do not believe I am -- I do not believe there is any subsidy policy in connection with coastal and inter-coastal services.

Q. There is no subsidy policy in the coasting trade but there is a construction subsidy?

A. I am not even certain that applies in connection with coastal services. I think that construction subsidy in the United States is based on the differential in price with foreign costs. That is where they run into headaches because they

cannot get the exact figures.

Q. That is United States' built and registered?

A. I doubt very much whether there is a subsidy.

Q. That course of events, the course in the United States would not necessarily happen here unless we followed exactly the same course they did?

A. Unless the same situation develops. As a matter of fact we have one illustration in as far as potatoes from Pirnce Edward Island re concerned. There is an agreed charge -- the railways have implemented an agreed charge to take potatoes to Ontario and Quebec areas, That originally stemmed from the fact when the water lines were in active competition to Ontario and Quebec districts.

THE CHAIRMAN: Q. That was Mr. Tregenza's evidence?

A. Yes.

COMMISSIONER WICKWIRE: Q. In fact they made a shipment or two until the railways stepped in?

A. I do not believe I know whether or not that actually did take place. I do know definitely what did take place---

THE CHAIRMAN: Q. I think he made arrangements at each end and in the meantime the railways stepped in with the agreed charge?

A. I think that was the situation, Mr. Chairman.

MR. MUNDELL: Q. On page 11 you make a

submission under the heading "Atlantic Provinces in Relation to St. Lawrence Seaway", this is Submission 6, I believe, and also in the next few pages. I was wondering whether you could give us a little more detail on that. You make the submission "In the case of Nova Scotia, preliminary surveys indicated that there will likely be a serious adverse effect upon major segments of its economy from the Seaway; regardless of whether or not a proscription is applied against United Kingdom or other Commonwealth registered ships."

What effects have you in mind?

A. I was directing myself particularly to a study that was made by this Commission and access to a study that was made by one of the Provincial Governments. The question arose about cattle from Lake Erie ports and in Ontario ports going out.

Q. I think you have already mentioned you will file that study if it is available?

A. That particular study?

Q. Yes.

A. The particular study and the independent study made by myself on information I had some few years ago.

Q. Was it for a private organization?

A. No, it has been distributed to the members of the Commission. I will see if I have an extra copy of the other study.

Q. It is a study on the possible

effects of the Seaway, the St. Lawrence Waterway?

A. Yes. We did not go into too much detail on that. I will arrange to have a copy filed.

Q. Thank you very much.

A. As to the other study which was in connection with the problems of Nova Scotia, it has not been made public.

Q. What effects did you have in mind?

A. Well now, take the development of the iron ore ships, incoming iron ore down from Seven Islands down to Lake Ontario and Lake Erie ports. Those ships will be looking for return cargoes. They will be ships of relatively substantial size. We have at the present time traffic going on what they call canallers from Lake Ontario and the Lake Erie ports up the St. Lawrence and these ships will be looking for cargo, anything to take away, instead of going back in ballast as the traffic does perhaps it would result in distress loads. That is to say there would be a number of these boats for all this type of traffic.

Q. They would be suitable types of boats?

A. They would be ore boats.

Q. Bulk carriers?

A. That is right. You have the same pattern there today in connection with the ore carriers from the Mesabi Range which will take a cargo to Lake Erie ports and bring coal back.

Q. You are taking the view now that the Seaway will move coal eastwards now?

A. It may very well move eastwards because in my opinion there would be a very strong influence for traffic to move from Lake Erie and Lake Ontario ports down river to the St. Lawrence River ports.

Q. Did you have in mind any other illustration or is that the only illustration?

A. That was more or less a primary illustration.

Q. Illustrated by coal?

A. Yes.

Q. Do you see any other adverse effect?

A. Well, I guess the adverse effect will naturally stem from the fewer ships. That is another field. You are getting a lot of steel firms in that area and so on. Coal and steel both, to the extent steel sails by water, are the two principal ones. They, of course, will constitute the two important ones as far as Maritime Nova Scotia was concerned.

Q. Would you see any advantages to Nova Scotia?

A. It seems difficult to conjecture or predicate exactly what is going to take place in regard to the trade pattern of the St. Lawrence Waterway project. For example, a man may wish, with regard to lumber, to ship lumber from the Maritime territory to Canadian territory.

Q. You mean that is one of the imponderables?

A. That is right. For example, pulp. You have paper companies who are all anxious to

facilitate the movement of pulp and paper to the various consumers and ports.

Q. Well, we are still on the possible adverse effects of the Seaway on the economy of Nova Scotia. Would you give the Commission your opinion on the possible adverse effects on say the shipbuilding industry, particularly the shipbuilding industry here or do you anticipate any adverse effect?

A. Well, in the brief, as I have said, there are so many intangibles in regard to this Seaway subject from the preliminary studies which we have made, there are so many, to use your word, imponderables that I would like---.

Q. I should not have encouraged you with that word.

A. I would like very much to see a comprehensive study made on the impact of the St. Lawrence Waterway project in relation to the economy of the Maritime Provinces.

Q. You have nothing specific to say on the shipbuilding here?

A. No, I have not.

Q. This is the question that I have in mind. What will be the average class of freight -- I think you said four or five may be used in arriving at the average freight cost, or is that feasible?

A. No, I think that you can arrive at that from the waybill study in the year 1953 and from the year 1954. I take it you desire to arrive at

some figure.

Q. What I had in mind was this. Would it be possible to compute the transportation element in the cost of imports, using the domestic sense, into the Maritime Provinces now and viz-a-viz the time when it will be say substantially by Canadian bottoms? Is there any possible comparative study of that kind that can be made?

A. If you could say or if you went over the Canadian bottoms and it would cost so much.

Q. Is there any study of that kind that could be made that would be of value?

A. It would be a lot of this and that and everything else. I am inclined to think it would be most difficult. Then the question arises who pays the freight and whether the consumer or the shipper are looking at the impact so there are so many different aspects to it, I am inclined to say it would be very difficult to arrive at a conclusion.

Q. How would you go about it if you were going to do it?

A. Well, I think I would have to sit down and work out a plan and see exactly how to approach it. It would be a difficult thing. There are so many angles to it. I do say, of course, you could say that -- let us say it is going to cost $2. more a ton on a particular item, then you have to compute that for a U. K. ship. Well, you can strike at some figure on the cost of a U.K.ship

viz-a-viz a Canadian ship, so you work it backwards.

Q. Would you think that would be advisable? You have not done anything along that line?

A. I have not made a study just exactly of that nature, but what I have made, the study we have made is to determine what the impact was, how much was saved say to the Provinces, to the Maritime Provinces in connection with freight rate costs but we could make all kinds of estimates looking at the different angles. Personally I think another factor that adds costs quite a bit -- well, you have to make a rough estimate is whether or not it is a reasonable return. You have to take the various angles.

Q. What I was really thinking of was the Commission has such an excellent reputation for this type of computation. I wondered if you could make a study of that kind. It seems to me that is the real question, is it not? I was wondering whether the difficulties were too great to ask that?

A. Not only these difficulties but several other factors. There is just one other thing that occurs to me. How can you make an estimate as the result of an increase in the cost of transportation? We will take the Dominion Coal Company. They may make a shipment from the East Coast and they set a minimum cost, and the cost is too high. How can you estimate that?

Q. I was wondering if you could estimate the figures for me?

A. There is also the premise that you cannot get the figures for Canadian viz-a-viz U. K. ships. I think perhaps the United States is the best example of that. It is a difficult thing to get the exact figures to take your construction differentials from these exact figures to obtain your operational subsidies. I do not know whether the Commission has this publication but I would refer you to pages 49 and 90 of the United States Maritimes subsidy policy prepared by the office of the Under Sectretary of Commerce for transportation. These pages will show the difficulties they have to strike on a construction subsidy and operational subsidy.

Q. I suppose you mean the administrative difficulties in actually arriving at a figure?

A. No, the figure would be a representative figure. They have difficulty in that the foreign operators are not willing to give them their exact costs and so on.

COMMISSIONER WICKWIRE: Q. I wonder, Mr. Matheson, if you could make a copy of that available?

A. I could very easily secure a copy if the Commission desires. As a matter of fact it says here. "For sale by the U. S. Department of Commerce, Washington, D.C. Price $1."

MR. MUNDELL: I believe Mr. Matheson, your Commission wishes to present a further brief as to the---

A. I think in addition to our brief, the preliminary submission we do with the end in

view of argument.

Q. I rather understand -- I want to clear this up, that further brief shall be presented at a later stage?

A. This would be a matter of argument.

Q. If there is any possibility of dealing with this question of competition?

A. I will give you that. I know what you are getting at. You want something on what the loss would be if we have to utilize Canadian ships at higher cost.

Q. Yes, that is right.

MR. BELL: I wonder if I may ask Mr. Matheson one question.

THE CHAIRMAN: Yes.

MR. BELL: Q. Other than in charter arrangements for a trip per season, does the Maritime Transportation Commission have any information of any established coastal freight rate differentials?

A. You mean the question of freight rate differentials between rail and water?

Q. No, between vessel to vessel as against Canadian registry and foreign registry ship differentials?

A. Yes, not so much in the Maritime territory as I understand it. Subject to correction but with Furness Withy, for example, the rates to Newfoundland and those of the Newfoundland-Canada Steamships are parallel.

Q. The same class of service and the same class of freight?

A. They are the same freight rate, per se. For instance, the freight rate, subject to corrections, are approximately the same. As far as the service is concerned it would depend on the speed of the ship. If one vessel would be under the British, -- U. K. registry and the other one under Canadian in so far as the increase of traffic going to Newfoundland, for example, it is in a special compartment then coming from Halifax to Newfoundland inasmuch as a large proportion of your traffic is traffic that is handled either under boatlines--. For example, you have the all-rail rate, for instance, but which are handled by boatlines by arrangement with the railways under a division rate basis.

Q. Which would not be competitive?

A. That would not be looked upon as competitive freight.

Q. As you say, there is no cost differential?

A. We have cases of U. K. ships operating from Toronto into St. John's Newfoundland that have a differential rate, water rates from say Toronto via Montreal and even from Montreal to St. John's by Canadian carriers, until this year of equalized rates, were differentially lower by U. K. registered boats until this -- I think May 5th of this year. This equalized the basis for competitive reasons with the U. K. registered ships.

Q. Could you say that under the present arrangement there is actually very little preventing of Canadian ships in view of the fact that the rates have been equalized?

A. The ever pervasive influence of lower cost operation, whether they are equalized or not, have that effect of keeping the carriers on an even keel.

THE CHAIRMAN: Q. It goes down, does it not?

A. Yes.

Q. The Canadian competitors go down to meet the competition?

A. That is right.

Q. So there would be that difference then?

A. The railways also reduce their differentials in traffic from Ontario ports to Newfoundland.

Q. Mr. Matheson, in the computation of the return run of westbound ships they would never have to return to Fort Erie because they would have the opportunity of carrying summer grain from the Head of the Lakes.

A. Yes, as I understand the trade pattern in the Great Lakes of the present Mesabi Range in Duluth down to Ashtabula and so on the gradual movement is ore down and coal back. A boat would have to go possibl y from Ashtabula to the Head of the Lakes to pick up grain.

Q. That is just about time to clean ship?

A. Yes.

Q. From Cleveland to Fort William?

A. Yes, it has that effect.

Q. But actually the Great Lakes carriers are not too anxious to carry coal if they can avoid it and carry some other cargo?

A. That is what I understand. It is a relatively low-paying freight but that, I think, would be a factor if there is nothing else. They would take back some coal instead of going under ballast as long as they pay their out-of-pocket costs.

Q. Although we did have one witness say he did not know whether he ever made a cent carrying coal?

A. Yes.

---The witness retires.

THE CHAIRMAN: We will adjourn the sittings now I think until two o'clock. I think I should also point out no one has appeared for the Atlantic Salt Fishery Association, the Shaw Steamship Company Limited, the Parrsboro and District Board of Trade, Zwicker and Company of Ferguson Industries Limited although all of these various organizations have filed briefs. Therefore, if it is intended to elaborate on the presentation in the brief they should get in touch with the Secretary or Counsel so that we shall be able to arrange our timetable for the afternoon.

Mr. Daley spoke to me about the presentation of the Newfoundland-Canada Steamship Lines' brief. I understand they have filed a brief. I think Mr. Lawrence Daley is their counsel and also the President of the Association.

Mr. Daley, senior told me his son would be presenting the brief and speaking to the brief. I told him to speak tothe Secretary of the Commission because this morning Mr. Smith was presenting his brief and I had no idea how long it would take but we would try to hear any submission Mr. Daley wished to make if we possibly could.

Now, it looks highly possible, especially in view of other interests not having appeared to explain their brief, that we shall be able to hear it. If there are other representatives in the room they should notify the Secretary of Counsel but in the meantime we are prepared to hear the Maritime Marine Workers' Federation at two o'clock.

---The hearing recessed at 1:05 p.m.

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SUBMISSION OF
MARITIME MARINE WORKERS' FEDERATION (C.C.L.)

--- Upon resuming at 2.00 o'clock P.M., on Tuesday, 2nd August, 1955.

THE CHAIRMAN: Maritime Marine Workers' Federation in the Halifax Area.

Yes, Mr. Bell?

MR. J. K. BELL: Mr. Chairman and members of the Commission, on behalf of the marine and ship building workers who arerepresented in the Marine Workers' Federation, affiliated with the Canadian Congress of Labour, we welcome the Commission to Halifax and are pleased to have the opportunity of bringing before this Commission the views, particularly, of that section of crganized labour which has a very direct interest in affairs of shipping and ship building.

We feel that the question of shipping and ship building is one of national importance, one that is not necessarily limited to regional interests but certainly one that has definitely been established as having an aid in and a relationship to the economic well-being of our entire country.

On that point, Mr. Chairman, I would like to point out this, that although our members are not too well versed nor educated in the affairs of our country, economically and even in the many complications which exist in commerce and business, nevertheless they have taken a fairly good stand, and, apart from taking a sectional viewpoint on affairs now coming before us

in the country, dealing with shipping and ship building.

To be precise about this question of our stand on the St. Lawrence Seaway, while it is true that many of us here in this part of the country view the building of the St. Lawrence Seaway with apprehension, as to how it will affect the Maritime provinces, nevertheless our members, realizing the development of Canada must continue, that there is sufficient future within our country and the economic development of it, that it is a good thing generally, even though it affects us adversely, our people nevertheless were, from the outset, willing to indicate their support for that particular development.

At the same time they say that the whole question of opening up seaways and waterways within Canada should be tied in so that other developments, locally, should be recognized as being part of any national move to develop that industry. Certain local developments, such as the Chignecto canal, should be certainly considered as part and parcel of the St. Lawrence Seaway development. We think the government has a very great responsibility to see that there is a continuation of a strong Canadian shipping program and ship-building industry. On June 16th, 1947, the Honourable C. D. Howe had this to say in the House of Commons:

> "There is no question in our minds of "trying to support a large merchant navy "merely from the point of view of national "prestige. We do feel, however, that a

"merchant navy adequate to our needs should "be retained. It should be one of the "duties of the proposed organization ..." - he is speaking of the National Maritime Commission - "... to keep those needs continually under "review and to advise the government upon "the general Canadian merchant shipping and "ship-building situation."

He also stated:

"We now find ouselves in a world where all "governments are interested in the maintenance "of the merchant fleets owned in their "respective countries."

He went on to say:

"I would not suggest that we have a merchant "navy sufficient to carry all our exports. "I would suggest that we require a merchant "navy able to carry a substantial part of our "exports and to protect Canada's position in "the matter of freight rates and other "problems of carriage. Today we are the "fourth maritime nation in the world, and "when the boats now on British register are "returned we shall probably be the third "maritime nation in the world. Whether "Canada in the future will require to "maintain that position is a question for "the Maritimes Commission to study, so that "it will be in a position to advise the "government. Being a shipping and ship

"building nation at the moment, it is "important that we shall remain a shipping "and shipbuilding nation."

The views of our members, Mr. Chairman, and members of the Commission, are that this question of coastal shipping and deep seashipping is one that is too closely related to try and devise a policy whereby certain protection can be given one without extending the same type of encouragement and protection to the other. We feel the problem is so inter-related, particularly here in the Maritime provinces where we find a type of coastal shipping quite prevalent which is not coastal within the true perhaps meaning of the word, where the vessels are engaged between ports in Canada and also between ports in the United States. Perhaps that could be ruled out as a coastwise trade because of the fact that international boundaries are crossed but we contend, because of the continuous operation of such vessels between established ports and the fact that in most instances they are carrying away from Canada our basic raw materials, natural products of Canada, that certainly some control should be exercised over the movement of such goods and that the job of the Commission should be to take that into consideration and see that most of that is carried in Canadian bottoms.

A lot has been said about the fear that unless we continue to allow British shipping and other foreign shipping to retain the hold they now have on our shipping that the country will be seriously

affected economically, particularly the Maritime provinces. While the members of the Commission may be aware of what is being done in other countries, I think for the record I should bring out certain things at this hearing to show that the question of wages cannot be generalized as being the factor which is going to determine whether or not we are going to have shipping at all coastwise, or deep sea shipping and that solving the wage factor will turn the card one way or the other. We contend that most of the other major shipping countries of the world offer such a wide and diversified program of aid to their shipping and ship building industries that for anyone to make a comparison of the operating and building of ships merely by a wage comparison is to generalize to an unfair degree and is not putting the whole picture in its proper perspective.

We have prepared a review, or summary, of the aid and assistance which other governments give to the shipping and ship building industries in their countries. Most of these are taken from reports to the Canadian Maritime Commission. Others have been taken from periodicals devoted to the industries. In, for example, Belgium:

"Loans and Grants

"' The Minister of Merchant Marine,

"'according to a law passed August, 1948,

"'can obtain the State's guarantee for

"'loans closed by Belgian shipowners

"'with a national credit institute, used

"'to expand the tonnage of the Belgian
"'merchant fleet. These obligations will
"'amount to $577,000,000 of which $22,800,000
"'is already available.' 'A law of August,
"'1948, established a Shipowning and Ship-
"'building Fund of $45,600,000 of which
"'$4,560,000 a year is to be used to build
"'and purchase vessels by means of grants
"'to shipowners for a period of ten years.'"

Another example is France:

"' General aid was given under a law of
"'June, 1934, in the form of a navigation
"'bounty (per ton day basis) applicable to
"'coastwise or foreign trade in order to
"'offset unfavorable competitive conditions.
"'Almost $6,000,000 was provided for this
"'purpose for 1935.'

" 'This law was extended five times and
"'on the last occasion runs through December
"'31, 1950.'

" 'By law of June, 1938, duties on
"'refined petroleum imports were divided
"'among tank ships operating under French
"'flag.'

" 'Under existing agreements the
"'French Government in 1936 reimbursed four
"'subsidized companies to theextent of
"'$33,000,000 operating deficit.'

" 'Subsidy estimes for the French
"'Merchant Marine for 1948 to over $17,000,000'".

COMMISSIONER WICKWIRE: What document are you quoting from?

MR. BELL: This is from "Summary of Shipping and Shipbuilding Subsidies And Other Forms of Maritime Aid, Prepared For National Council of Shipyard Unions (C.C.L.)". The Commission has a number of copies on hand, which I sent to the Secretary as supplementary to the brief of both the Maritime Marine Workers' Federation and National Council of Shipyard Unions. These were in printed form and were submitted to the Secretary. I have a number of other copies. The brief was mimeographed, Mr. Chairman, and gentlemen, but the other supplementary documents sent in were in printed form.

MR. GERIN-LAJOIE: May I suggest this document be filed as an exhibit?

THE CHAIRMAN: Yes, I think it should be. Exhibit 31.

--- EXHIBIT NO. 31: Summary of Shipping and Shipbuilding Subsidies and Other Forms of Maritime Aid Prepared For National Council of Shipyard Unions (C.C.L.) By Research Associates, Montreal, P.Q.

Proceed, please.

MR. BELL: Italy:

"'Finmar, a Government owned holding company "'was formed in 1938 with a capital of "'$47,340,000. Finmar took over the stock "'majority of the four Italian liner companies "'and financed the construction of ships for

"'the reorganized lines.'

" 'A shipbuilding subsidy law was
"'passed in 1938, and the appropriations
"'under the law were as follows:

"' $2,600,000 for fiscal year 1937-38

"' $5,200,000 for each fiscal year
"'1937-39 to 1946-47

"' $2,600,000 for fiscal year 1947-48'

" 'Under the law a bounty up to 50% of
"'the import duty on foreign materials was
"'paid for using Italian materials.'

" 'Also a construction bounty (amortiza-
"'tion contribution) based on inside volume of
"'theship and on the speed was granted to the
"'operator.'

" 'Under the new law, March, 1949,
"'approximately $66,000,000 was granted for
"'new construction and modernization.'

" 'A construction bounty (amortization
"'contribution) is paid on vessels constructed
"'under the provisions of the law. The con-
"'struction bounty is based on the inside
"'volume and the speed of the vessel.'

" 'In addition the Government makes a
"'supplementary contribution equal to one-
"'sixth of the cost of the vessel upon the
"'date of its entry into service.'"

In Japan it appears their loans are provided --

" 'Under the new legislation, the interest
"'on loans for shipbuilding purposes by the

"'Japan Development Bank will be lowered from
"'7.5% to 3.5% and on loans from city banks
"'from 11 to 5%.'"

" '... Press reports in Tokyo say that
"'the Japanese Government is going to intro-
"'duce a special iron and steel price
"'adjustment system in the next fiscal year
"'under which shipbuilders will get these
"'metals at international prices instead of
"'the higher Japanese prices they have been
"'paying recently.'"

The summary continues and goes into other countries, for example, Britain is one which we might take a look at as it is a country which is providing us with the outstanding competition at the moment:

" 'For a hundred years, British shipping
"'policy has supported free and unfettered
"'access to world trade, and British ship-
"'owners have relied not on privileged treat-
"'ment but rather on their competitive
"'ability. What aid the state advanced
"'benefited the liner companies through loans
"'and loan guarantees, mail subventions, and
"'Admiralty bounties. In the 1930's, however,
"'the depressed condition of British shipping
"'called for direct measures of relief which,
"'in the British Shipping (Assistance) Acts
"'of 1935 and 1936, took the form of operating
"'subsidies of 2 million per annum for tramp

"'shipping, and building loans totally 10
"'million to encourage replacement of old
"'tonnage. A further Bill, widening the
"'scope of direct assistance to tramp and
"'liner shipping, was set aside owing to the
"'outbreak of war in 1939.'

" 'By December 1, 1948, the British
"'Government had removed the chief controls
"'exercised over the activities of deep-sea dry
"'cargo shipping in the war and immediate
"'post-war years, thus freeing shipowners from
"'state direction in determining the trades
"'inwhichthey may participate and the freight
"'rates they must accept.'

" 'To encourage British owners to invest
"'in modern tonnage, the government has
"'recently increased the depreciation allowance
"'for tax purposes from twenty to forty per
"'cent of the value of a new vessel in the
"'first year of its operation. Thereafter,
"'straight-line depreciation is allowed at
"'five per cent. Shipowners may also carry
"'losses forward in any given years up to the
"'limit of six years, thus enabling them to
"'average good and bad periods of operation.'"

I think the American form of subsidy is pretty well known.

" 'Construction differential subsidies,
"'separately determined for each new vessel,
"'amount to approximately forty-five per cent

"!of building costs. Since 1936, the govern-
"!ment has contributed $341,000,000 towards
"!the building of 247 vessels.!"

While it is true, Mr. Chairman, and members of the Commission that coastal shipping in the United States does not receive any direct federal subsidy, such as deep sea shipping does, our contention is that with the shipping and ship building industry being kept in motion by the orders the yards receive and the operation of companies on the deep sea basis, that that in itself creates a momentum and in different ways does give assistance to both the construction and operation of coastwise vessels.

For example, it is quite possible, although we have no direct knowledge of it, that some of the deep sea companies also engage in coastwise trade. It is quite possible that while their profits from their coastal trade may not be too attractive, that is offset by their deep sea operations as a result of which they receive fairly generous aid from the United States government. In addition to financial aid, we understand under the U.S.Code there is this further advantage, which we contend the Commission should seriously consider as a recommendation they should make to provide a similar type of aid. This is under the United States Code title 19, Section 130:

"No goods, wares, ormerchandise unless in
"cases provided for by treaty, shall be
"imported into the United States from any

"foreign port or place, except the United "States or in such foreign vessels as truly "and wholly belong to the citizens or subjects "of that country of which the goods are the "growth, production, or manufacture, or from "which such goods, wares, or merchandise can "only be, or most usually are, first shipped "for transportation. All goods, wares, or "merchandise, imported contrary to this "section, and the vessel wherein the same shall "be imported, together with her cargo, tackle, "apparel, and furniture, shall be forfeited "to the United States; and such goods, wares, "or merchandise,ship or vessel, and cargo, "shall be liable to be seized, prosecuted, and "condemned in like manner and under the same "regulations, restrictions, and provisions, "as have been heretofore established for the "recovery, collection, distribution, and "remission of forfeitures to the United States "by the several revenue laws."

THE CHAIRMAN: Mr. Bell, I have listened on several occasions to your reference to international trade and you said the two subjects must be considered together. I suggest to you that that is an argument you should not address to us but the government which appointed us because we are bound by the terms of the reference which appointed us and the argument you have just advanced has nothing to do with the coasting

trade of Canada. We are bound to consider the coasting trade of Canada alone, except for the effect of the coasting trade of Canada on international trade. As important as that recommendation may be it is simply not being made to any person who has any authority to deal with it.

MR. BELL: Mr. Chairman, the reason we brought that particular point out is that this morning we heard the viewpoint expressed by my friend from the Maritime Transportation Commission as to the possible effects which might result from carriers taking ore down from, say, the St. Lawrence to the United States, coming back and picking coal up and taking it back up in the St. Lawrence. We contend that, rather than depending on foreign carriers who would be taking part in international trade but at the same time be engaging in cabotage on the return trip, some legislation along these lines would create a situation where, say, all the ore taken from the St. Lawrence would not be in foreign vessels but would be in Canadian vessels. While it is quite true the main purpose of such vessels would be for international trade they could apply themselves to coastal trade as well.

THE CHAIRMAN: Well, I should think there would be no difficulty whatsoever to obtain vessels to carry the ore from Seven Islands in times of emergency. It would be of imperative importance to the United States' economy to get thatore down to the Ohio, New York and Pennsylvanian foundries as quickly as they could. As long as those ships are in operation they will seek

return cargoes and if we ever placed ourselves in Canada in the position of prohibiting return loads and anything which would in any way affect the carriage of the ore which we are particularly counting on to bolster the Canadian economy - that is, the sale of our Ungava ore at a time when the Mesabi range appears to be petering out --

MR. BELL: We do recognize there is that further complication to our problem. It is not quite a clear cut problem because of theestablished trade which has existed for quite some years between Canada and the United States on the Great Lakes and now is presenting itself salt water-wise.

We do admit, that while it may not be possible, obviously, to restrict the coastal trading of Canada to Canadian ships and also exclude the movement of American vessels, either on the lakes or on certain coastal regions of Canada where they trade internationally, at the same time if we can bring into effect laws quite similar to the laws the Americans have that in itself would help to regulate the condition and provide us with some of the protection which we do not have now. To bring about those laws would mean a combination of the deep sea regulation and coastal regulation.

THE CHAIRMAN: The American regulations are well nigh suicide as far as their maritime relations are concerned. Their protected fleet instead of increasing is decreasing and, in company with Canadian vessels, are not able to compete in the world

market.

However, proceed. I should not have interrupted you.

MR. BELL: Summing up on the question of the position that the shipping and ship builders of other ship building countries find themselves in compared to Canada: We contend the forms of aid, the restrictive legislation and the forms of direct and indirect governmental aid which they enjoy actually narrows the margin of cost to a large extent, which is shown so glaringly in Canada because of the fact that the general comparison is made, "Well, wages in the United Kingdom are approximately 60 cents an hour and over here they are double that, or slightly more, both in the shipyards and in the operation of ships". We contend that the forms of government aid which exist in these other countries, narrows that margin down considerably and that it is most unfair that the wage question should be singled out as one of the reasons why we cannot consider a Canadian coastal fleet or a Canadian deep sea fleet.

Mr. Chairman, and gentlemen of the Commission while statistics do show some figures and percentages, in comparison with information we have received from our members who have worked in United Kingdom yards and have come back here to Canadian yards, they tell us the wage rates are not in the amount of 60 cents an hour, which several of the submissions to your Commission have pointed out, but over there a journeyman receives 5 shillings, 2 pence an hour, the

men tell us, with other social security benefits. We contend a workman working in the United Kingdom receiving 5 shillings, 2 pence an hour, with his national health scheme and low rentals, and other compensations, actual wage differentials are not as great as they appear on the surface.

Here in Canada we have had the disadvantage of not having any protective legislation, which has brought about the situation where a large part of our coastal fleet was imported from the United States, obsolete tonnage which was turned into the United States' Maritime Commission and which was originally intended to be scrapped. Quite a number of these boats were bought by Canadian interests and put into the Canadian coastal trade. While it is quite true that has not been the case of late, the practice has not been as widespread as it was quite a number of years ago; nevertheless the fact is that from the outset, because of the lack of protection, Canadian coastal shipping interests got into the habit of buying their ships from the United States at a low price because of the fact they were ships turned in to the United States' Maritime Commission and a construction bounty was being paid on replacement tonnage. We contend that may have an effect today, whereby companies who could go out into coastal trade and operate profitable businesses wish to continue some form of low cost shipping by either bringing it in from a foreign country or continuing the practice of buying ships that are used or obsolete

in some other country.

In another brief submitted to the Commission by the National Council of Shipyard Unions we made a reference to one particular company, the Canada Steamship Company, and since the brief has been filed with the Commission we have received a protest from Mr. McLaglen that that practice has been stopped since 1928 and, in view of the policy of the company since 1928, the reference was most unfair. At this point I would like to say as far as our members are concerned that if that is the stated position of the Canada Steamship Lines in the future, and these other steamship companies, we certainly welcome it and recognize the policy of that company as best, when it was so detrimental to our particular industry.

It is significant that in some countries, for example, Australia, although they are part of the Commonwealth agreement they have a condition which tends to eliminate unfair competition or unfair comparisons. It is done by this means: In Australia apparently they have the authority to insist that wages paid Commonwealth crew members engaged in coastal trade in Australia be set at the prevailing rate enjoyed by Australian coastal crews. This at least minimizes the disadvantage of unfair competition by other Commonwealth ships paying lower wages. There is a matter which definitely comes within the terms of reference of your committee and we would strongly urge your Commission to take that as a means of regulating unfair comparisons.

COMMISSIONER WICKWIRE: We are aware of that legislation. Is it actually in effect in Australia?

MR. BELL: We have received word to the effect that the Act has been passed but not proclaimed. It appears that by mutual understanding those United Kingdom boats which go down to Australia have carried out the practice automatically, and, as a result, the Australian government has not received any complaints from any of the waterfront unions which would make it necessary for them to proclaim the Act. We understand the intent of the Act is carried out. The United Kingdom ship owners know that is a condition and when they go to Australia they merely put in the wage rates.

We know locally there is a definite discontent among British seamen who come over here for eight months of the year. They complain they are subject to Canadian living standards, they spend two-thirds of their time away from their native land and are subject to the living costs of Canada. In one particular ship, the Savoo, they demanded equality with Canadian seamen. A compromise was worked out and they enjoy some type of seasonal compensation to compensate them to a small degree for the differential. It is our contention that that dissatisfaction will grow. We will no doubt face the situation with the opening of the Seaway and these new carriers trading regularly on the Seaway that these foreign seamen will be spending much of their time in Canada and the natural result will be that they will demand wage equality with both the American and Canadian seamen.

COMMISSIONER WICKWIRE: Do you think the situation will cure itself if this comes about, the British ship owners will be unable to get crews to come over here?

THE CHAIRMAN: Except on Canadian wages?

MR. BELL: Yes.

THE CHAIRMAN: Then, that will cure the operational deficit of Canadian as against United Kingdom ship operators?

MR. BELL: Yes. We believe --

THE CHAIRMAN: And not require any governmental assistance?

MR. BELL: Yes.

We believe $200 a day on a 10,000 ton tanker, taking into account the other benefits which the seamen receive indirectly, that that differential will be narrowed and will be much smaller than what it is at the moment, if not wiped out completely.

COMMISSIONER WICKWIRE: If there is as much dissatisfaction in British crews as you suggest there is, is that not likely to come about?

MR. BELL: Yes, but we would prefer the thing to be handled in an orderly fashion than to allow the matter to be taken care of by industrial disputes which could be avoided if suitable legislation were passed. There is no need to invite industrial disputes.

COMMISSIONER WICKWIRE: You think it might come about but you want to make sure it does come about?

MR. BELL: Yes, that is right.

The other part of our brief, which we feel very keenly about, as it affects this part of the country, is this question of companies who own shipping services, either directly or through a subsidiary company, which are engaged solely in carrying goods of the industry and are not in the competitive freight business. We feel that these companies, most of them, enjoy certain benefits, at the moment, either in established marketing positions or the exploitation of raw materials, and we feel that the least they could do is to purchase their goods and services in Canada where the bulk of their profit comes from through the exploitation of our natural resources or established marketing positions. We have mentioned a number of them in our brief, coal, steel, gypsum, pulp, paper, oil, etcetera.

We recognize that coal faces a serious problem at the moment but we contend the use of British ships is not the solution to it. There is a basic solution to the coal problem, but it cannot be solved by the lower, so-called, chartering arrangements which are made with British ships because that is only a temporary expedient and certainly is not going to solve the basic problem of coal.

Generally speaking we know Canada uses around 40 million tons of coal annually, of which more than half is imported. There is no reason in the world why Canadian coal cannot be used in Canada, all the colleries produce. The fact that coal is essential

has been established by subventions and other forms of assistance which the government has given in the past.

One point we would like to have clarified is why the Dosco people, who are one of the larger coal producers in this country, import a large amount of coal into Canada and how, as I understand it, they make more money on their imported coal than on the coal they mine in their own colleries? If that is the case we think that certainly the question of the continuation of the colleries should not continue on the basis of the Dosco people coming before Commissions of this kind and asking that British ships be allowed to carry that coal. We feel the whole question of Canada's fuel policy should be aired out to find out what its needs are, as against what is produced and what is imported. Tackling it from that angle, we feel the coal problem could be solved.

COMMISSIONER WICKWIRE: Do you say there should be no importation of coal?

MR. BELL: Not when a large number of colleries in Canada are jeopardized.

I think we should have a national fuel policy and that the government should say, "It is necessary in the national well-being of Canada that we mine so many tons of Canadian coal and, following that, we will permit coal to be imported". If colleries are being closed down simply because you can buy distress coal from Kentucky and make a dollar a

ton more than you can on Canadian coal we say the solution to the coal problem is not carrying the coal that is mined in Canada from the east coast up to Montreal in United Kingdom ships.

COMMISSIONER WICKWIRE: What about the consumer?

MR. BELL: Well, on the question of the consumer: I think the consumer generally gets charged the full price anyway. I do not think, for example, if you order a ton of Kentucky coal that you get it for a dollar a ton cheaper; I think it generally works out that you pay the full price regardless of whether the coal is mined in Canada or whether it is brought up from the United States.

THE CHAIRMAN: What is the full price?

MR. BELL: I guess the price the market will bear.

THE CHAIRMAN: It always takes two people to make a bargain, Mr. Bell, and two people have various factors working on them and the result is the price that is paid.

Now, there is also in this case another factor. Surely everyone dealing with coal realizes the threat of the liquid coal which is flowing out of the oil wells. If you put coal in the position where it cannot compete with oil the coal industry, with all its mine workers and all its problems, will be no longer.

MR. BELL: Mr. Chairman, surely you do not deny there is a need for a Canadian fuel policy.

THE CHAIRMAN: I am not going to engage in

debates. That is a question in the House of Commons and I am afraid it is within the decision of the House of Commons and not of this Commission.

I am just pointing out that the question of transportation costs in the coal industry, particularly in view of its vulnerable position to competition from other fuels, is a very important element and I can well understand the industry being considerably concerned about any increase in the transportation costs.

MR. BELL: I think that concern is based on the status quo remaining in the future times, which I think we will agree is not going to remain. It is the differential in wages between ourselves and the British seamen, a differential of building costs; these factors which present themselves today may not be in the same relationship to each other ten years from now. Take for example this question of ship building itself, this question of the cost factor, if that were the case we should not have built a ship in Canada since 1945; yet, the record shows there has been a fair amount of tonnage built in Canada.

THE CHAIRMAN: Of what kind?

MR. BELL: There were two 28,000 ton tankers built up in St. Lawrence.

COMMISSIONER WICKWIRE: For whom?

MR. BELL: For export, to Greek people.

COMMISSIONER WICKWIRE: Could they get them anywhere else at the time?

MR. BELL: I am glad you brought up that because I think that is an important point which we

wish to make, that in the shipping and ship building industries there are so many factors involved that it exposes in its true colours the argument of wages being the single or main factor. The question of availability of the wharves, the question of steel supply, the question of workmen, the question of exchange and the financial arrangements that have to be made are all factors and many times they outweigh the actual cost factors.

THE CHAIRMAN: Of course, and that is why the ships you mentioned were built in Canada; but we have now reached the point where there is ship building space in yards and available supplies of steel and other industries in the United Kingdom. Halifax Shipyards will tell you, and did tell the Commission this morning, how many ships they have built for international commerce under those conditions.

MR. BELL: We have a solution for that too, Mr. Chairman. It might be a bit unpleasant to some people, but nevertheless, it is a solution. There are countries in the world who want ships and are prepared to take them from Canada, even if the price is higher. The United States News and World Report, dated October 29, 1954, says:

" The most urgent item on Russia's "shopping list during the last year or so "has been ships--tankers, trawlers, freighters, "refrigerator ships. The Russians clearly "will buy as much shipping as they possibly

"can in Europe and Japan.

" The Russian Merchant Marine, on average, "is very aged. Russians still are using "steamships launched 75 years ago, plus many "sailing ships.

" One out of two Russian ships is over "25 years old. So the Russians do have an "excuse to modernize their commercial fleet. "But the types of ships they seem to want to "buy most are oversized tankers and superfast "trawlers. These could be used as auxiliaries "for the Russian war fleets.

" U.S. and allies have a difficult "problem in trying to determine which and how "many ships the Russians may buy. Clearest "prohibition seems to be against building "tankers for the Russians. Only Finland (under "Russian pressure) is doing this now. However, "a list compiled by the London 'Financial "'Times' shows how widespread Russian business "is in European shipyards right now:

" Soviet orders for 100 seagoing vessels "have been placed in Western Europe this year. "British shipyards are building trawlers for "Russia; French shipyards--fast freighters; "Finnish shipyards--tankers, freighters, "icebreakers; Swedish shipyards--trawlers and "refrigerator ships; Dutch shipyards-- "freighters, dredges, floating derricks; "Belgian shipyards--freighters, refrigerator

"ships, floating cranes; German--refrigerator "ships; Italian--tugs, floating cranes.

" Meanwhile, Japanese ship builders, too "have Russian orders.

" Russian satellites' yards, also, are "working day and night on all kinds of merchant "shipping for Russia. Placing all these orders "outside Russia naturally frees Soviet yards "for construction of warships, especially "submarines.

" The Russians, already having placed "orders all over Western Europe, now are "putting a large piece of bait on the book. "'Financial Times' reports Soviet feelers are "out in Britain for 193 merchant vessels "totaling more than 400,000 tons. Order "backlogs of British yards are thinning out. "So the pressure is on."

The reason I quote that report now is that that is the only country we know of who seems to be interested in ships. We have built ships for Argentina.

THE CHAIRMAN: If that is a true indication they are staying away from making any commitments for ships in Canada because of the building costs. The Japanese and the Greeks and the United Kingdom built ships for them but they did not come to Canada.

MR. BELL: We have information, Mr. Chairman, that they did make contacts here in Canada and were interested in having 10,000 ton freighters built in

Canada. An export firm which was willing to place the order in a Canadian yard contacted the yards, and I understand several yards indicated their willingness to build the ships, but the export permit was refused by theCanadian government. In view of the change in international relations no doubt that policy may have changed.

I have a letter here from the Honourable C.D.Howe pointing out the fact that they worked in conjunction with the United States and they thought it advisable to turn down that particular export permit at that particular time.

THE CHAIRMAN: When was that?

MR. BELL: I do not think I have the file here but I will file it with the Secretary, Mr. Chairman, before the Commission adjourns.

THE CHAIRMAN: I was not interested in the particular date of the letter but the year in which the permit was refused.

MR. BELL: It was refused in the latter part, I believe, of 1954, last year.

I have another item here:

"The first of twenty trawlers, ordered by the "Soviet Union was launched on June 15th from "the Brook Marine Ltd. yards in Lowestoft. "Present at the launching ceremony were "representatives of: the USSR Trade Delegation "in London; the builders and associated firms; "the Mayor of Lowestoft; and hundreds of "townspeople.

" At the banquet held for the occasion, "Mr. Dawcett, the manager of the firm, noted "the importance of the mutually profitable "relations established between the company "and the customer - the Soviet Union. He "expressed the hope that the relations would "continue to develop and improve in the "future.

" V. A. Kamensky, head of the USSR Trade "Delegation in Great Britain, underscored in "his response, that development of business "relations with all countries was one of the "principles underlying the Soviet Union's "policy."

We have another one here:

"LAUNCHING OF STEAMSHIP BUILT IN BELGIUM FOR "USSR.

" 'Nikolai Chernyshevskay' 5,200-ton "cargo steamer built on the order of the "Soviet Union by the Boel Ship-Building firm, "was launched in Tamis (Belgium) on June 18th."

The reason I mention these, Mr. Chairman, is that I think Canada's trade position in the building of ships should be quite broad. I think, other than perhaps building ships of war - I do not think we should build ships of war for any particular nation - since we have built three ships for Argentina in the Halifax Shipyards, which was a profitable arrangement for the company and the workmen and the government, regardless of what we may think of the government of

Argentina as to its policy and how they run their country, I think that should in no way stop us from carryihg on normal trade relations. We have built ships for Nationalist China. We have built ships for many countries. I think we should certainly broaden our trade policies so we carry on normal trade relations with any country which wishes to buy ships, such as cargo carriers, trawlers and what have you. Other than, as I say, direct ships of war. All that we feel is necessary to the coastal trade. There is a direct relationship there, we feel a yard enjoying orders for export is in a position to carry on work of building coastal vessels at a price which is much less than if no other work orders existed in the yard. The same thing is true at the moment if you have shipyards that have no ship repair work and are on new ships exclusively. It is our contention costs in a shipyard can be reduced if you have a balanced work program within the yard; you have a reasonable amount of ship repair and you have export tonnage.

It is our contention, for example, that in a shipyard which has three ships on the ways, even if they are three different types of ships, one for export and two for the coastal trade, the cost factor evens itself out in the cost of the ships you are building for the domestic market as well as for the export market.

COMMISSIONER WICKWIRE: Mr. Bell, these three ships built for Argentina were well built ships?

MR. BELL: Yes, there were no complaints from

the Argentine government handed to management and workers at the Halifax Shipyards.

COMMISSIONER WICKWIRE: Why do you think they do not have orders for a lot more?

MR. BELL: At that particular time, during the course of the building of these ships, the money apparently was guaranteed to the company in American dollars. There was an exchange variation during the period of construction and, as a result, at the completion of the work I do not think the company realized as much on the ships as what they anticipated, taking into account the fact they were to be paid in American dollars.

The brief of the Canadian Shipbuilding and Ship Repairing Association points that out very vividly at page18 of the printed copy. They say:

" During the next four years after 1949, "up to the fall of 1953, wage rates in Canadian "and U.K. shipyards were raised, percentage- "wise, at the same rate" - that is quite significant - "But meanwhile, in the fall of 1949 (not "many months after publication of the Report "here quoted) devaluation of the pound "sterling from U.S.$4.03 to $2.80 <u>reduced by "30% at one stroke of the pen, the labour cost "of all U.K. products reckoned in U.S. dollars.</u>"

There is another factor over which the workers in an industry have no control whatsoever. There is a 30 percent differential overnight with the stroke of a pen because of devaluation.

It is our information that that was the experience, somewhat along the same lines, of the Halifax Shipyards on the completion of the vessels for the Argentine government.

Coming back to these companies who I say make their profits out of Canadian natural resources and are embarking on a program of building ships abroad. I have not the factual information on it but the reports we hear are that the Irving Oil Company has a large tanker under construction in Western Germany; the National Gypsum have two large ore carriers under construction in Western Germany; and the Imperial Oil Company have undertaken a campaign of transferring their vessels from Canadian registry to Panamanian and other South American countries registry.

THE CHAIRMAN: Is that transferring their registry or have they sold their ships?

MR. BELL: Mr. Chairman, I wish we could find out.

THE CHAIRMAN: I have asked that specially because as far as appearances go, it is a sale. I have the same question in mind, as to whether it is a sale or a transfer to Panamanian registry, and I would like to know. You have no more information on the subject than I have.

MR. BELL: No. Operations of that kind are kept quite secretive by the companies involved and they do not make it public, whether or not the companies to which the ships are transferred are subsidiaries or whether they are separate companies.

Nevertheless, we do know that these ships, which were formerly under Canadian registry, arenow being transferred.

There are a number of other companies. A local pulp company here, the Mersey Company, they have their vessels built in the United Kingdom yards. We do not think it is right. We have no special axe to grind with these people but we think a paper company, which is a company using the natural resources of Canada, and for which there is a good healthy market for their product world wide, the least they should do is to leave a dollar here in Canada by having their ships built here. If a grocer wants a delivery truck, there is no justification for him to slip over to the United States and bring it up and deliver his groceries in a truck built outside the country. At least there, if he does, he faces a heavy duty which makes it unprofitable for him to do so. Here they can get away with it because they are engaged in coastal trade and they are not subject to duty.

COMMISSIONER WICKWIRE: If they could not compete without doing that would you say it was wrong for them to have their ships built in United Kingdom yards?

MR.BELL:We have given that some thought, Mr. Wickwire. We think these companies are not in a position to hire charter ships from time to time. We feel they either have to buy ships or charter them on long term charter in order to provide their

company with a service because of the fact that these ships have to stand by and pick up the raw material and carry the finished products from place to place at very short notice.

COMMISSIONER WICKWIRE: We have heard several instances so far - I can give you one or two from Newfoundland, that their industries are so marginal that unless they can get the lowest cost shipping available they just cannot compete with American industries in the Canadian market.

MR. BELL: We have been wondering about that. We are wondering whether these industries do receive any benefits, even in the charter of boats, if they are in a position where they can charter a boat for a period of time. We do know, for example, that deep sea-wise the freight rates are pretty well set. I think everyone pretty well agrees the rates, for example, you can ship from New York to Boston are less -- we suspect something of the same thing applies to coasting trade, as we asked Mr. Matheson here this morning. There is no specific comparison made, the only question brought out was that several Canadian companies lowered their freight rates in order to equalize with the foreign companies, but there was no evidence given that in lowering the rates to equalize with the foreign ships they still were not enjoying a fair profit.

COMMISSIONER WICKWIRE: I was not referring to any evidence given here this morning. I am referring to evidence given that in the case of certain industries their operations are so marginal that an increase of a

dollar a ton in the freight rates would put them out of business.

MR. BELL: I remember reading that in the papers. If their product is so essential -- Was it fluorspar in Newfoundland?

COMMISSIONER WICKWIRE: And gypsum.

MR. BELL: Gypsum,we are prepared to make an argument on gypsum.

COMMISSIONER BELANGER: And cement.

MR. BELL: We think some of these products do call for some sort of support. We think some sort of support from the provincial or federal governments should be given particular industries to carry on. The government has established the principle in coal and in gold mining, and certainly if the gold mines of Canada have to be subsidized I am sure these other commodities are more important to theeconomy of the country.

THE CHAIRMAN: I think the government has granted a subsidy but they have not established a principle. The establishment of a principle is a little different. I cannot imagine what the principle is. Is the principle that you should grow bananas in Hudson Bay, and therefore you should establish subsidies sufficient to grow them. I do not think you can work a principle out of the establishment of subsidies.

MR. BELL: If we confine it to transportation I think we can show the railways of this country certainly have been recognized in their proper

perspective and that the assistance granted to them is a form of principle in which the national needs of the people are met by assisted companies to provide useful and essential services.

THE CHAIRMAN: It is a development area then.

MR. BELL: Now, we do recognize, Mr. Chairman, there is this complication with these particular industries that I mentioned that we feel are not being fair to other industries - that is, gypsum, coal, steel, pulp, paper, oil - and the unfortunate complication is that in some of their operations they are taking the stuff out of the country and it develops into international rather than coastwise trade. We admit your Commission is faced with a problem there in trying to develop Canada's coastal trade by the fact that these companies are engaged in a form of international coastal trade; but, nevertheless, we feel that something should be done in the case of companies that take raw materials out of this country. I think that, in itself, is a reasonable enough basis, if they take raw material out of this country for finishing and development to other countries I think we should have more strings on it than what we have today. Part of the bargain should be that they should take it out in Canadian bottoms. I do not think that would be too unfair to ask of them.

Now, on the question of --

COMMISSIONER WICKWIRE: Let me see if I understand you correctly, and I think I do, Mr. Bell: Any company taking raw materials out of Canada, you

say, should be required to take them out in Canadian bottoms?

MR. BELL: Yes, that is right.

COMMISSIONER WICKWIRE: The reason being to maintain the prevailing wage levels?

MR. BELL: Yes; and for the development of the shipping industry and the general economic well-being of Canada.

Just before I leave that particular thing, I just want to point out one particular instance - we are not trying, as I say, to cross swords with any particular company, because apparently they are all doing it, but in this particular case we have some information: One particular company which operates out of Halifax, the National Gypsum people, they owned two Park vessels. They were boats built by the Canadian government and sold to them at a fraction of their value and cost in the hopes they would be a nuclei of a Canadian merchant marine. We now find out the company has done the following, according to the Chairman of the Canadian Maritime Commission, who writes to M. A. Lowe, Secretary-Treasurer, Industrial Union of Marine and Ship Building Workers of Canada, on March 1st, 1955, as follows:

"Dear Mr. Lowe:

" I acknowledge the receipt of your "letter of February 8th concerning the "building of two ore carriers in Germany. "According to the press report issued by "the President of the Company these ships

"will be owned by an English concern and "will fly the United Kingdom flag. They will "be chartered by the National Gypsum Company "to carry gypsum from Halifax to United "States ports."

So, you see, they are replacing their Park boats by two vessels being built in West Germany and they have apparently made some arrangement with an English company which will own the new replacement tonnage and these ships will in no way come under the control of Canada and will not meet any of the requirements which they would have to meet if placed under Canadian registry.

The same chairman writes to me on January 25th, 1955, concerning the same question, as follows:

"Dear Mr. Bell:

" I beg to refer to your letter of "January 21st, 1955, in which you requested "certain information concerning the sale of "ships by the National Gypsum Company.

" I regret to say that the Commission "has no knowledge of the National Gypsum "Company's intention to build the ships "in Germany.

" It is true that a controlling interest "in the Dingwall Shipping Company has been "sold to a Swedish concern; nevertheles s, "the Company remains a Canadian company..

" The Company has recently sold "'S.S.Dingwall' and, S.S.'Walton' under the

"terms of the Replacement Plan. The proceeds "of these sales will be held in escrow - "under existing government policy, this money "can only be used towards the construction or "acquisition of dry cargo ocean-going tonnage. "Though not necessarily built in Canada, the "ships so acquired must be placed on Canadian "registry and not sold or transferred to "another registry without Government permission. "In other words, a new ship acquired with "escrow funds becomes subject to the flag "covenant.

" No duty will be payable on ships now "being built in Germany for Canadian, British "or foreign registry so long as these ships "engage in international trade. If, however, "it is desired to carry goods in them from "one place in Canada to another, then the "ships must be of Commonwealth registry and "must pay a duty of 25% ad valorem before "they can obtain a licence to engage in the "coasting trade of Canada."

We know at the end of the war when the government sold these Park vessels to Canadian operators for a fraction of their cost and value on the stipulation they were to be retained under Canadian ownership that later on that was compromised and they were allowed to sell them abroad, the stipulation being that the proceeds should be placed in escrow and the replacement tonnage should be built in Canadian yards,

but that wascompromised also so that the money could be spent in foreign yards but that the tonnage should be brought to Canada and placed under Canadian registry.

We understand roughly $44,000,000 has been put in escrow and $41,000,000 has been spent. We were told by the Honourable Lionel Chevrier in a letter of May 25, 1953, to myself:

" On 31st March, 1953, there was "$2,533,128.00 in escrow.

" Between May, 1948, when the Replacement "Plan was inaugurated and 31st March, 1953, "74 ex war-built ships have been sold abroad "under the Plan resulting in the placing in "escrow of a total of $44,150,000.00. Of "this sum, $41,600,000.00 has been expended "or allocated for spending in Canadian shipyards "as a result of which 26 ships whose construc- "tion has been assisted by escrow funds have "become bound by covenant not to be sold off "Canadian registry without permission.

" The majority of this new tonnage is for "coastal and lake operation, though two 28,000 "ton deadweight tankers now building in Eastern "Canada are for deep-sea operation."

On that the Honourable Lionel Chevrier is mistaken in his reply because the two 28,000 ton dead-weight tankers were not built out of escrow funds and were not built for Canadian operators, they were built for Greek interests who placed

the orders in the St. Lawrence area. We received this letter in 1953 and we told the shipyard operators. They were actually surprised, they said we must be mistaken,but we showed them copies of this letter and they were quite amazed. They were not aware $41,000,000 of the $44,000,000 was spent, and we surmise everything has not been quite open and above board on this.

Possibly we cannot see where people in the deep sea business have opened up new coastal or inland businesses and are now operating boats, but we do suspect companies who are in the coastal-inland shipping business have made some arrangement whereby replacement tonnage has been built for them and money taken out of the escrow funds and somehow or another these deep sea operators have been able to get a substantial amount of money and place orders abroad. It is all surmise on our part but the fact is very glaringly that if $41,000,000 of the $44,000,000 has been spent in building up a new coastal fleet it would follow a bunch of new coastal companies have been set up in which the principals were not deep sea and that is not noticeable in the Canadian shipping industry today. People in deep sea have not presented themselves as factors in the coastal trade with new fleets built out of these $41,000,000 of escrow money. We feel the whole government plan has been defeated.

It is our contention that most of this coastal tonnage wouldhave been built anyway as we know the business in the lakes has been expanding of late. These larger carriers have been built in expectation

of the seaway business and the ore carrying business. We suspect most of these coastal boats would have been built had there not been one cent in escrow funds and it would appear to us escrow funds have found their way into coastal tonnage and no new companies or business have been opened up. In some way or other a substantial amount of money has been drawn out of the escrow funds and placed in foreign yards for construction abroad. Worse still, if we can establish this, which we are trying to do, if some of that new tonnage is built abroad and it is indirect escrow money and these ships are being registered in the United Kingdom and other countries, we would make representations to the government, charging that the whole intent of the plan has been deliberately violated and no doubt calls for some form of action on the part of the government to bring such operators to task for violating the intent of the government's laws in the matter. That is our viewpoint on the escrow money that we feel should have been used to provide a new coastal and deep sea fleet, which has not been the case in our opinion.

In conclusion, Mr. Chairman, and gentlemen of the Commission, I want to thank the Commission for the opportunity of speaking on behalf of our membership and coming before this body. I must point out, unfortunately, that our union is at a disadvantage in perhaps not being able to bring before this group the facts and figures which are unavailable to us. The fact that we are connected

with the shipyard industry means that our union members are not men who have too much understanding or knowledge of procedures and methods of making submissions to Commisions of this kind but we trust you have been able to get the general viewpoints and intent of what we feel should be done in order to safeguard the shipping and ship building industry.

We feel there is a basic position there, and that is this, that Canada's goods, both domestically and coming in and out of the country, should be carried by Canadian vessels; that Canada's trade should in no way, either domestically or foreign, be dependent on foreign carriers. We contend that any other arrangement would have the same effect as turning over some of our other transportation units in this country, such as the T.C.A., the C.N.R. and the C.P.R., to foreign competitors who would control it and thus, perhaps, retard it for their own interests as against the interests of the country.

THE CHAIRMAN: Thank you.

MR. BELL: Thank you.

THE CHAIRMAN: Ten minutes recess.

--- Recess from 3.40 to 3.55 o'clock P.M.

THE CHAIRMAN: Yes, Mr. Gerin-Lajoie?

MR. GERIN-LAJOIE: Mr. Chairman, I have a few questions for Mr. Bell.

Mr. Bell, would you care to explain to the Commission what workers you represent, or your association represents, what type of workers that includes?

MR. BELL: Mr. Chairman, our union represents the majority of organized marine and ship building workers in the Maritime provinces, taking in ship repair and ship building establishments and general marine shops and agencies. In addition to that we have government employees working as shore workers and crew members in the Department of Transport.

MR. GERIN-LAJOIE: Your association does not include workers on the wharves like stevedores and dockers?

MR. BELL: No, our association is not located on the waterfront in that respect.

MR. GERIN-LAJOIE: Do you have any workers or workers' association in Newfoundland?

MR. BELL: No, we have no members. It is our understanding that those who are employed in the marine establishments in Newfoundland are organized within several craft unions, as well as within the Canadian Brotherhood of Railway Employees, which is a sister affiliate of our organization.

MR. GERIN-LAJOIE: Do you have members in all three Maritime provinces?

MR. BELL: Yes.

MR. GERIN-LAJOIE: Nova Scotia, New Brunswick and Prince Edward Island?

MR. BELL: Yes, that is true.

MR. GERIN-LAJOIE: Now, may I refer to a few statements in your brief on which I should like to have some clarification if possible. First of all, referring to page 1, as it appears in VolumeI, fourth

paragraph, you refer to the privilege extended to Commonwealth vessels to engage in the coastal trade of Canada and you conclude that paragraph with this sentence:

> "...the situation works out one-sided in "favour of the shipping interests of the "United Kingdom."

I may understand what you have in mind but I wonder if you would clarify it? What I have particularly in mind is this: Can you really say the situation works one-sided if there are advantages to the Canadian people - if there is, let us say, cheaper transportation for their products within Canada?

MR. BELL: Our views on that are that actually because of the practical inability of Canadian shipping companies to contemplate going into theestablished United Kingdom coastal trade that in that specific sphere of activity there are perhaps very few opportunities, if any, open to Canadian shipping companies at this time who might be considering going into the British coastal trade. While it is quite true that we have that particular advantage as a result of United Kingdom shipping interests engaging in the coastal trade of Canada, it may have some supplementary advantages to a section of the Canadian people or companies, and we say, generally speaking, the Canadian shipping yards and ship building industry is not receiving the same degree of consideration.

MR. GERIN-LAJOIE: But would you agree that this situation does bring some advantage to the people

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of Canada more generally, in the way of lower cost of transportation, which reflects itself in lower costs on the buying market for manufactured goods?

MR. BELL: No more than, say, textile being dumped by Japan or the United States into the Canadian market and resulting in many textile firms going into bankruptcy. You could argue for the time being that the consumer would receive an advantage in being able to buy his textiles at a saving; but, if in the final analysis it means the wiping out of an industry or the prevention of one being established, one which is essential to the economic well-being of the nation, I would not say you could consider the immediate return as being all important.

MR. GERIN-LAJOIE: But would you consider that the shipping industry might be in a different situation inasmuch as it affects all other industries and the price or costs of all other products in Canada; while a particular industry, like the textile industry you mentioned, would not have such an effect?

MR. BELL: That is quite true because of the fact it is a transportation industry it does reflect itself in many other industries in Canada; but, then, again, because of the fact it does connect up with these other industries, we say that makes it special and apart and should be given special consideration. The mere fact that it does that very thing is our argument as to why we should recognize transportation is an industry which we should reasonably consider, if necessary, subsidizing and passing restrictive laws in

order to safeguard that industry.

MR. GERIN-LAJOIE: Would you go so far as to suggest there should be a system of subsidies high enough so that there would not be any rise in the cost of any product transported or shipped within Canada?

MR. BELL: Yes, we feel that the importance of the industry is such. We understand, generally, that is done in the railway industry and we feel that the shipping industry is equally as important.

MR. GERIN-LAJOIE: Do you mean the situation of the railway industry is entirely comparable?

MR. BELL: No, not entirely because they have the advantage, if you will, of being located all within the country and it is not physically possible to bring in a railway line to run in direct competition with one already established; whereas with shipping that is not the case. You could certainly direct a vessel to take part in certain coastal trade without the handicap you would find, say, in the railway industry.

MR. GERIN-LAJOIE: Is not it true the railway industry was subsidized mainly for two reasons: One, to have transportation all across Canada; and, two, to obviate the disadvantages to the external parts of the country, and those reasons would not be found in the coasting trade industry?

MR. BELL: Well, the history -- Perhaps we could find out the answer. It is quite true that generally in shipping that is not the case, I will admit that in the case of the coasting trade; but not

in the general interests of shipping.

MR. GERIN-LAJOIE: This Commission, of course, is concerned with coasting shipping, not international trade.

MR. BELL: We think that the shipping industry -- the coastal shipping industry is one that certainly is so closely related to our whole problem of shipping in general, on the basis of needing a shipping industry in Canada, that, if necessary, if we have to be restrictive to the extent that other countries are, that same restriction, is not going too far.

MR. GERIN-LAJOIE: If I might pass to another point in your brief. At the bottom of page 1 and the top of page 2, you refer to a number of companies who have disposed of their ships or have transferred them to other registries. You may not have the same passage but I think you will understand what I have in mind. You say the companies you referred to ...

"...are not competing in Canadian or foreign "shipping in the general cargo carrying "business and are not generally affected "by changing busines conditions experienced "in national or international shipping "circles."

What do you have in mind? It is not quite clear to me what you mean. These ships are not generally affected by changing conditions?

MR. BELL: I say a two or three dollar drop or rise in the freight rates of the general carriers

does not in any way affect these companies at all. For example, the oil companies or the gypsum carriers. If the freight rates drop to the extent that it is possible -- that it is more profitable for them to dispose of their ships they will simply dispose of them; but I do not think they worry too much whether or not the existing freight rates are $16 or $14 or $12 for the class of freight they are carrying.

MR. GERIN-LAJOIE: Are they in a different position to other industries? They have to support, like other industries, any rise in the cost of transportation.

MR. BELL: I do not know what the business arrangements are with these companies but I would suspect in some of them, for example, the shipping companies do not even bother to charge their parent company any established freight rate for hauling their goods. If one of these companies sets up a shipping company as a subsidiary I do not think the freight rate that would be set up would fluctuate in comparison to what the general freight rate fluctuation would be.

THE CHAIRMAN: Why not? Here is a pulp company that is shipping its pulp to southern ports in United States. If freight rates drop, as you say, $3, that means everybody else competing in that market could do it $3 per ton cheaper.

MR. BELL: Yes, but if their subsidiary company has capital invested in that ship they are faced with disposing of that ship and relying on private carriers, or maintaining their own carriers, we suspect.

THE CHAIRMAN: You say you "suspect", I would like a little more than suspicion.

MR. BELL: Well, we think it is the responsibility of the government to gather the facts. These boats were bought originally and cost the Canadian taxpayers a considerable amount of money. They were sold under specific conditions and those conditions were modified and now we find they have disappeared from our coast and are operating under Panamanian registry. I do not think it would be too dificult for the government to ascertain who owns these Panamanian companies.

MR. GERIN-LAJOIE: Do you mean these ships mentioned in your brief were bought from the Canadian government, in your main expose a moment ago?

MR. BELL: Yes.

MR. GERIN-LAJOIE: Do you mean the companies here - the oil companies, the paper companies and so forth - have disposed of ships which they had bought through the Canadian government under the arrangements you have mentioned?

MR. BELL: Perhaps I could explain it in this way: For example, take the two gypsum boats in port, the Walton and Dingwall, we do know they were Park boats bought under the Park Disposal Arrangement Plan, I do not think there is any argument about that.

MR. GERIN-LAJOIE: You are talking about National Gypsum?

MR. BELL: Yes. The Dingwall and the Walton, they were purchased by the National Gypsum Company,

or its subsidiary shipping company, through the Park Disposal Plan. Having purchased them, we now find out that the shipping company, the major interest in that particular shipping company, has been taken over by a Swedish concern and the ships on that particular run are now being replaced by two ships being built in Western Germany. How it is done we would like to know.

MR. GERIN-LAJOIE: Have you any information on other transactions of that type by other companies?

MR. BELL: Well, we do know, for example, that in the case of a shipping company that operated out of Halifax, the Acadia Overseas, they have disposed of their Park fleet and the vessels are now under Panamanian registry.

MR. GERIN-LAJOIE: Were they Park ships?

MR. BELL: Park ships, yes. And we were advised by workers in the industry that it appears that the control over these ships is still maintained by their former owners. When they arrive in port here it seems all arrangements for repairs and reconversions are still being carried out by their previous owners. What that adds up to wedo not know.

Not so very long ago one of our members reported that a Greek vessel which arrived in port was a former Park vessel. It appears that the Chief Officer or Captain had nothing to do whatever with the repairs of that particular ship. The question of repairs was handled through a shipping agent who formerly was an owner of that particular vessel. That is the only way we can tell.

COMMISSIONER WICKWIRE: Was it repaired here?

MR. BELL: Yes, she was repaired here. When you have a situation that the Captain or Chief Officer has no authority over the repairs and the authority as to what repairs are going to be made on that particular ship --

COMMISSIONER WICKWIRE: Mr. Bell, the fact is she was repaired here?

MR. BELL: Yes, in that particular case it was an emergency electrical repair which had to be made and the ship could not proceed without making those repairs.

That, Mr. Commissioner, is another factor which I might not have mentioned this morning in the question of work being done at this local port. We know, for example, when we receive work at this port that these repairs are emergency repairs which naturally have to be done here, but the general repairs, the annual overhauls are performed outside the country which offsets the wage differential.

MR. GERIN-LAJOIE: Your information is definitely that some of the Park ships have been transferred to foreign flags, not United Kingdom flags; that is definitely your information?

MR. BELL: Yes, that is right.

MR. GERIN-LAJOIE: We do not know under what type of agreement?

MR. BELL: That is right.

MR. GERIN-LAJOIE: This Commission has heard of an agreement between the Canadian and United

Kingdom governments for transfer of ships from Canadian to United Kingdom flags.

MR. BELL: That is a different matter.

MR. GERIN-LAJOIE: You are talking of transfer to a foreign flag?

MR. BELL: That is right.

MR. GERIN-LAJOIE: Now, I am referring to a paragraph at the bottom of page 2 of the brief as it appears in the book, and I quote:

"Where the need can be shown we favour a "policy of government aid to both coastal "and deep sea fishing."

What sort of need do you envisage for government aid to coastal shipping if Canadian coastal shipping was restricted to Canadian vessels - I mean built and registered in Canada?

MR. BELL: Well, something alongthe same lines that we have that coastal subsidy at the moment. I believe it is in the -- There is a list there of subsidies provided coastwise to the various ships in the Maritime provinces in the Maritime Transportation Commission brief. We feel an extension of that form of aid could be carried out by the government.

MR. GERIN-LAJOIE: You mean, the exceptional type of subsidy we have now should be extended to all coasting trade or coastal shipping in Canada?

MR. BELL: Providing that some yardstick is worked out which would be satisfactory, as between the government and the operators of what is the basis of need.

MR. GERIN-LAJOIE: Well, what type of need do you envisage, that is my question, and I do not see at all what you mean by this sentence in your brief?

MR. BELL: We are assuming, for example, that normally the manner in which freight should be hauled is on the basis of straight competitive business, no generally agreed upon rates beforehand by operators, either coastwise or deep sea. If that is going to be the basis of competitive business that Canadian coastal operators find themselves in, then we say that these companies who perform certain services - for instance, in the case of Newfoundland where apparently industry is marginal and the fixed rate now is perhaps all that the traffic will bear - we say the government should step in there and provide the differential.

MR. GERIN-LAJOIE: That would be for specific instances?

MR. BELL: Yes, that is right.

MR. GERIN-LAJOIE: Not for the general coasting trade of Canada?

MR. BELL: No, that is right.

COMMISSIONER WICKWIRE: Which government should do that, Mr. Bell?

MR. BELL: We think the federal government should provide that form of aid.

COMMISSIONER WICKWIRE: But they may not have had any choice in the establishment of the industry, it may have been the choice of the provincial government as to the establishment of the industry; should

the Federal government come to the aid of that industry in that case?

MR. BELL: Yes, I think so. I think the federal government has no choice in the determination or location of a gold mine and they do aid there.

COMMISSIONER WICKWIRE: I was just wondering what your views were.

MR. BELL: And it is being done. If you open up a gold mine and you say you are not making a profit, then the government guarantees your price. I would imagine they have no say as to whether you open or do not open.

MR. GERIN-LAJOIE: Is it because the federal government finds a particular industry is essential to Canada, and it may not find that in the case of another industry,and yet you favour subsidizing that industry and the shipping for that industry?

MR. BELL: No, I did not say that. Shipping is more essential, more important to the people of Canada than the mining of gold. I do not think I am biased when I say that. I think that is something that can be easily established and accepted, that ship transportation is much more essential to the country than the mining of gold.

Secondly, I say if a particular operation can be shown to be marginal and cannot bear the charge or the full freight rate, then the government should certainly step in. It does that on an individual basis as between communities where they provide shipping services between communities and for the

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MR. SMITH-VAJDA: It is [illegible] the [illegible]

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carrying of mail. Every case is decided on its respective merits, you cannot set out --

MR. GERIN-LAJOIE: Is not it that mail is essential while a particular industry may not be essential to the well being of Canada? I am just putting a question of course.

MR. BELL: That would be government policy, naturally, and we would leave that to the government. If they, in their wisdom, saw that an industry was not needed for the economy of the country, naturally they would assume authority under any subsidy act to deny aid to that particular company. I imagine the government would take care of that under any subsidization plan.

COMMISSIONER WICKWIRE: You would not suggest if I opened a soft drink bottling company and could not make a go of it that I should be subsidized to meet my competitors?

MR. BELL: No; but I would say if you operated a general trucking business in Halifax and you were not able to make a go of it that somehow or other something in the community should be done to assist you to see that that type of industry is carried on.

COMMISSIONER WICKWIRE: Why?

MR. BELL: Well, it does not affect any one particular industry, it affects the economy of the region of the country.

COMMISSIONER WICKWIRE: If I started a trucking business and was unable to compete with fifteen other trucking firms, should the government

bail me out?

MR. BELL: No, I do not think it should be done in that particular case. That is not the case in shipping, you do not find that situation. You do not find a situation where you have a dozen different companies in competition with each other on the same rates. We are not asking the government to, say, subsidize all these companies because they are in that particular industry. We generally find this in practice: Generally there is a service established -- For example, not so very long ago the provincial government of Nova Scotia decided they would have to come to the aid of the Halifax-Dartmouth Ferry. There is another ferry up in the north end and I am sure the provincial government is not going to the aid of both of them. The provincial government apparently sees the necessity for the maintenance of a ferry between Halifax and Dartmouth. The ferry is running into debt so the provincial government announced they would underwrite the losses up to $5,000 a year. If there were six ferries operating we would not suggest the six ferries be subsidized.

THE CHAIRMAN: I understand they are operating at a loss of $17,000 a month?

MR. BELL: That is revenue that has dropped, not actual profit loss. They expect the profit loss to be $11,000 a year. It is a drop of $17,000 a month in revenue but they have curtailed certain services to take care of part of that revenue loss.

THE CHAIRMAN: What you are proposing is to

provide it only where it is needed; but is it not inevitable that if you propose to subsidize Canadian marine freight routes which are losing money you are going to subsidize every one of them because they are more expensive than the British competition and if you allow that British competition to remain then your Canadian vessels,in order to compete, are going to have to be subsidized. If you rule out the British competition then you are going to have freight rates increased or you are going to have to subsidize the amount of the difference between the Canadian cost of operation and the British cost of operation.

MR. BELL: I think it works out differently in practice. There is a table in the brief of the Maritimes Transportation Commission entitled "Eastern Coastal Services Between Canadian Ports (Including Ferry) For Which Federal Subventions are Paid with the Subvention Estimates For the Years 1955-56 and 1954-55". Now, there is a list - it is in B-100, page 68. I understand in one particular instance the amount was made known by the government that they were prepared to pay, a certain amount, providing anyone interested in the service would take it up. For a number of years the service was not taken up by any shipping company until recently. I think the method that is employed by the federal government at the moment, in the interests of the taxpayers' money, could be the yardstick to employ in any subsidization program. Allow the federal government to evaluate what the situation is in a given place and establish

a subsidy that a company could claim by maintaining continuous services between two specific points. Mr. Chairman, is not that the method by which the present subventions are paid?

THE CHAIRMAN: Those are not paid on the basis of any elimination of any United Kingdom competition; those are all, with the exception of the last one, as I see it, maybe the last two, cases in which no question of United Kingdom competition is involved. They are ferries, usually. Dalhousie to Miguasha; Halifax, Canso and Guysboro; Halifax, Torbay, Ile Madame and ports on West Coast of Cape Breton Island; there is nothing there in the way of United Kingdom competition. These are not cases of assisting Canadian ships to meet United Kingdom competition; these are cases where, if there were not these subsidies paid, there would be no freight services to outports. Pictou, Charlottetown, and the Magdalen Islands; Prescott, Ontario, and Ogdensburg, that is a straight international ferry. I do not know the situation as to Prince Edward Island and Nova Scotia.

COMMISSIONER WICKWIRE: That is a ferry service.

THE CHAIRMAN: That is a ferry service, too.

COMMISSIONER WICKWIRE: The last one, I think, is the service the C.N.R., under the agreement of union with Newfoundland, provides.

MR. BELL: That was an arrangement there on that Newfoundland Coastal Steamship Services.

THE CHAIRMAN: They are all subsidized ferry

serices. We have had several briefs requesting additional ferry services, which, of course, are not within our jurisdiction at all because there is a proper governmental department to contact which has to carry out certain investigations. They are nearly always subsidized. That comparison is not a comparison of the situation here, where we are asked to bar a cheaper United Kingdom transportation service and then subsidize any Canadians who might venture into the field in order that the cost to the public would not increase beyond that which is now in effect with the cheaper competition. I suggest to you that will inevitably require us to subsidize every marine transportation service in coastal trade where the British at present compete, or, in fact, where they will be able to compete with the opening of the St. Lawrence Seaway, which would seem to be right to the head of the lakes.

Proceed, Mr. Gerin-Lajoie.

MR. GERIN-LAJOIE: Mr. Bell, in your brief, further on, you refer to the possible detrimental effects of the St. Lawrence Seaway on certain regions of the country. Would you care to say what you have in mind when you say that?

MR. BELL: We have certain fears and apprehensions about the effects of the St. Lawrence Seaway in this part of the country. We feel that a large portion of our port business may be affected. In addition to the St. Lawrence Seaway there is also the general question of the concentration of industry. The Seaway

is not confined to being a navigational aid, there is also some power development there and we feel when that power development, which is part of the Seaway project, with the further concentration and centralization of industry which is going to locate itself in Upper Canada, it will generally have an adverse effect on the Maritime provinces.

THE CHAIRMAN: You will understand there, Mr. Bell, that the two phases of the St. Lawrence Seaway must be separated in thinking, as they have been in fact. As far as the power development is concerned the only part the federal government played in that was as an agent in arranging matters with the American federal authorities. The whole cost of the power development is being borne by the Ontario Hydro Electric Power Commission and its counterpart in the United States of America. That is not a federal scheme which has been launched there. The federal government was called in because there had to be dealings between two soverign nations.

MR. BELL: The power would not be there if the Seaway was not going through.

THE CHAIRMAN: Oh, yes. The late head of the Ontario Hydro Electric Power Commission was ready to proceed with the development of the St. Lawrence power development even if their American counterparts had not proceeded with it.

MR. BELL: That is news to us down here. However, even if they are two separate problems, the end result will be the same to us, once the Seaway is

completed, with its power potential available in Upper Canada, it will have a detrimental effect on the St. Lawrence.

Then, again, when the Seaway is completed we expect the federal government will put more emphasis on navigational aids to make a longer season. The season has been lengthened even during the past few years. We feel quite certain with the efforts of the government to attempt last winter and the winter before to break the ice considerably earlier in the season will no doubt be continued and extended when the Seaway is completed, which will shorten our port season down here. I think the federal government announced their efforts in ice breaking were very successful and actually added to the season by several weeks last year.

MR. GERIN-LAJOIE: Now, Mr. Bell, with respect to the proposed construction of the Chignecto canal, you are undoubtedly aware that the Turgeon Commission in 1951 reported against the proposal. I wonder if you have any later information on the subject which would justify any change in that policy?

MR. BELL: I had the occasion to attend a Labour Educational Institute at which we invited Mr. Hesler of Sackville, who is a vice-president of the Canadian Manufacturer's Association. As I recall Mr. Hesler informed us that on his own initiative he had invited, I believe, Mr. Cooper from the New England States, an eminent engineer on dams, to come down and look over the Chignecto situation.

Mr. Cooper reported that in his view with reversible turbines that the differentials in the water level made the Chignecto canal feasible. That information was given to us two years ago this summer.

MR. GERIN-LAJOIE: You mean this information was not available to the Turgeon Commission?

MR. BELL: Well, I really could not tell you that. As I understand it I believe he said Mr. Cooper was invited down to the Chignecto district at his personal invitation and only looked over the situation to satisfy Mr. Hesler. Mr. Hesler apparently was connected with that movement and wanted to know, personally, whether or not the plan was feasible.

MR. GERIN-LAJOIE: Was there any mention of the cost of the project at that time or in that lecture you are referring to?

MR. BELL: As I recall he said the lowest government estimates they had were $20,000,000, but I think he mentioned that the thing could be put through at an amount not greatly in excess of that.

MR. GERIN-LAJOIE: Did you say your Federation was representing the workers in the shipyards and also in the operation of the ships, seamen and so forth?

MR. BELL: Only insofar as the Department of Transport is concerned. We have some members who work on Department of Transport vessels. We have shore workers who repair the buoys and the chaps who take them out and place them in position.

MR. GERIN-LAJOIE: Could you tell the Commission, in a general way, what is the purpose or

object of your Federation in submitting this brief, and particularly the conclusions of your brief? Is it only to have additional jobs for Canadians in your particular field or is it for some other purpose?

MR. BELL: No, I would say that the workers who are members of our organization are sufficiently interested in their country's development that they are not taking the short-sighted viewpoint of advocating projects or undertakings merely to advance their personal well-being but are looking at it from a very general point of view. These men have witnessed the building up of the first Canadian merchant marine after the end of the First War - the C.G.M. vessels. They have seen that plan of operating a merchant marine was feasible. They have some criticism as to how the merchant fleet was operated at that particular time and they could certainly point out some factors which led to its failure; but they also see that it is necessary for Canada as a nation to have control of her own carriers. They have seen instances where ships owned by foreign countries have worked out to the general disadvantage of shipping and industrial activity in this particular part of the country.

MR. GERIN-LAJOIE: Can you mention such instances? Apparently the groups representing industry in Canada -- a number of them have come before this Commission and apparently as far as industry is concerned they arebetter off with British ships doing coastal trade side by side with Canadian ships.

Therefore, it would be valuable if you had any contrary factual information.

MR. BELL: The question, particularly of these companies who are taking out our natural resources, is one which I think presents the whole problem of why we should have our Canadian ships. We have witnessed a situation from time to time where some of these companies have taken on our natural resources and have carried them in vessels that were manned by Canadians --

MR. GERIN-LAJOIE: Mr. Bell, could you tell the Commission what you mean by "taken on our natural resources"? I suppose Canadians were engaged in the exploitation of these Canadian natural resources and governments got money out of it, and private persons also?

MR. BELL: Yes.

MR. GERIN-LAJOIE: I wonder what you have in mind.

MR. BELL: Gypsum is one. It was not until several years ago that gypsum was recognized as a mineral. We were about the only part of the world in which gypsum was not defined as a mineral. It is only in the last six or seven years that we have had a royalty of six or seven cents on gypsum.

MR. GERIN-LAJOIE: Is not that a different problem?

MR. BELL: Yes, but the problem can be shown in this particular way: Canadian manned vessels at some time or another were taking our natural resources

and in order to add to their profit, these same companies have either sold or registered their ships in foreign countries and these Canadian seamen's places have been taken over by foreign nationals. That, in itself, is a very good example to workmen as to why we should have our fleets owned and operated within Canada. Either coastal or deep sea.

For example, at one time the boats operating out of the Fundy taking the gypsum - that is, the U.S. Gypsum, employed quite a few Canadians. Those boats were disposed of and put under Panamanian registry, Liberian or Panamanian registry, and now the number of Canadians on them has been cut down considerably.

THE CHAIRMAN: The Canadians would not do it, they would not work for what the industry felt they could pay them and they found someone who would; is not that the long and short of it?

MR. BELL: That might be a cause.

THE CHAIRMAN: It is not a question of whether it might be a cause; was not that the exact cause?

MR. BELL: Mr. Chairman, the practical application works out this way, that when the ship is sold the Canadian crew is signed off and when the registry takes effect, other crewmen come from outside the country to take over.

THE CHAIRMAN: Who would work. As an official of the union do you say your men would work under the Panamanian registry at their wages?

MR. BELL: No. The same way as, for example,

any member of the shipping or legal profession would not -- should not appear here working for British rates.

MR. GERIN-LAJOIE: Now, if the additional costs involved in transporting on British ships made Canadian products uncompetitive with foreign products in the international market, don't you think that would affect adversely Canadian labour?

MR. BELL: I think that is a separate study itself. I think the Commission on the economic conditions of Canada should look into that very seriously.

For example, if I pick up a copy of the Canada Year Book and see where Gypsum taken out of Nova Scotia is valued at about $1.50 a ton and when it is transported across the line and crushed and cleaned and put between a couple of pieces of pulp board and sent back to Canada and sold for $65.00 to $70.00 a thousand, I think this argument of marginal operation is certainly not the case. The same with iron ore, if they take out ten million tons of iron ore a year from Labrador and Quebec.

MR. GERIN-LAJOIE: You aretalking of particular instances, but I was putting the question more generally to you.

This is all I have, Mr. Chairman.

THE CHAIRMAN: Any other questions?

COMMISSIONER WICKWIRE: I have one question.

Mr. Bell, you saidin your direct testimony that the question of wages can not be generalized as

being the factor determining the difference between the operation of United Kingdom and Canadian ships. You went on to say other social security benefits narrow the differential between United Kingdom and Canadian ships. What social security benefits do United Kingdom workers have that the Canadian worker does not have?

MR. BELL: They have National Health Plan, which is worth $8.00 or $10.00 a month to a worker here.

COMMISSIONER WICKWIRE: That is one thing.

THE CHAIRMAN: $8.00 to $10.00 a month?

MR. BELL: Yes. You take, if you will, any group plan here in Canada, in order to get coverage comparable to the British coverage I would say it would cost you in the vicinity of at least $10.00. There, in addition, they have the coverage of glasses and dentures, which certainly is not covered in any group insurance plan available to industrial workers here in Canada.

COMMISSIONER WICKWIRE: Anything else?

MR. BELL: Yes. Mr. Lowe just informs me the plan at the Halifax shipyards is $11.10 and that cannot be compared with the benefits in Great Britain where the coverage is much broader than we have under the private plan.

COMMISSIONER WICKWIRE: That is what you referred to?

MR. BELL: Another specific one would be the cost of housing. Over in Britain they have a higher

degree of public housing than we have here in Canada, in which housing costs are generally lower than what they are here in Canada. That is a form of indirect wages.

COMMISSIONER WICKWIRE: Or indirect form of wages. Do we have any so-called fringe benefits which they do not have?

MR. BELL: Well, most of the things we have here - Unemployment Insurance, the annual vacation, paid statutory holidays - are conditions that are found in the United Kingdom. I think, actually, in social legislation it is the case of us following them instead of us having conditions that are more liberal. And the question of pensions. Pensions are general in the United Kingdom. We have pensions here.

COMMISSIONER WICKWIRE: Thank you. I was just wondering what they were.

MR. GERITY: I just wanted to ask one question, Mr. Bell. I do not see why you areso certain British ships out here would have to pay Canadian wages. We had two witnesses in Newfoundland, one a man of great experience, who said no. Another witness who ran a ship in Newfoundland, also said no. Why do you say the British ships would have to pay Canadian wages?

MR. BELL: I just visualize there would be continual unrest and I suggest to the Commission they take that into consideration. An act relating to that particular matter has already passed in Australia, although perhaps not proclaimed. That could be one of the means by which we could cut down

that unfair competition, by having a similar piece of legislation enacted here in Canada which would compel British ship owners to pay the general wage rates existing here in Canada.

MR. GERITY: Would not it be simpler to say the coasting trade should be reserved to Canadian ships?

MR. BELL: I am taking that general position.

MR. GERITY: I might point out to you that Australia does not have quite the same constitution as we have here, which is the reason they are following the methods they are.

MR. BELL: I am not too well acquainted with constitutional matters.

THE CHAIRMAN: Any further questions?

Adjourned until ten o'clock tomorrow morning.

--- Whereupon the hearings adjourned at 4.50 o'clock P.M. on Tuesday, the 2nd of August, 1955, until 10.00 o'clock A.M. on Wednesday, the 3rd August, 1955.

WEDNESDAY, AUGUST 3, 1955

---On resuming at 10.00 o'clock a.m.

THE CHAIRMAN: Parrsboro and District Board of Trade.

SUBMISSION OF PARRSBORO AND DISTRICT BOARD OF TRADE

REVEREND W.R. ANTHONY, representing the Parrsboro Board of Trade.

MR. ANTHONY: The brief of the Parrsboro Board of Trade is No. B31. We are very glad of the opportunity to speak to the Commissioners on behalf of this submission and to emphasize one or two things in the brief. Our submission deals primarily with the need for the restoration of a ferry service that was in existence for at least 100 years but, allied to the restoration of that ferry service, there is also the need for the restoration of coastal shipping that was, in a large measure, responsible for the economic progress of the town for a period of more than 100 years, particularly since the ship building and ship repairing was the major industry. I believe it is a fact in history that the territory known as Parrsboro had the greatest registered tonnage of shipping of any port on the Atlantic Seaboard. I am not personally acquainted with that fact, I only have it from some of the old salts who are loyal to the sea. Nevertheless, there are records showing that

there was a considerable tonnage built and repaired in Parrsboro. There was also, of course, the shipping coastwise, boats from all ports on the Bay of Funday to which the remnants of wharves are evidence of what might be referred to with some regret as ghost towns.

We believe that the rebuilding of at least one wharf would rejuvenate the community because that wharf would provide berthing for the re-introduced ferry service which is receiving some attention on both sides of Minus Basin as well as by members of the Government of Nova Scotia. Secondly, rejuvenation would be noted with respect to the fishing in that area; fishermen who operate small draggers, line boats, seines, say they cannot profitably operate even a port like Parrsboro so long as they are dependent upon the tides. For instance, I believe there is some justification for optimism with respect to the scallop fishing in that part of the Fundy waters. There are several suspected scallop beds which is responsible for a great deal of shipping and fishing in the Pictou area. The scallop fishermen feel they cannot very well drag for such shell-fish and port them unless they can berth at all times. The net fishing and line fishing in the Bay used to be quite a tremendous enterprise. There are some small boats operating now but they are operating out of such places as Kingsport, Port Williams and Wolfville, where there are

remnants of former wharves.

A third point with regard to the shipping in that port is that coal could be shipped by barges and by small coastal steamers if there was a wharf that could be used without regard to the tides. The shipping of salt products of Pugwash and Malagash, people who are interested have made inquiries and say they could ship out of Parrsboro the basic salt mined of Malagash and Parrsboro for trans-shipment to Saint John and the New England States. We have a great shipping also of lumber and pulpwood, the competitive market in pulpwood and lumber would be able to have another customer if the wood areas of Parrsboro especially had adequate shipping facilities by way of suitable wharfage. The whole area surrounding Parrsboro has suffered when the small coastal steamer was forced to give up for want of better wharfage, not for want of trade.

The agricultural interests in the Annapolis Valley are anxious to see a restoration of the ferry service simply because it would not merely be to have a span across Minus Channel but would be for them a means whereby they can put fresh fruit and vegetables on important markets at Montreal and Toronto at least a half day sooner than by the overland route around the head of the Basin.

The whole matter of a simple thing like a wharf is actually related to the shipping in and out of Parrsboro.

There are one or two small shiphards still in the area who have hung on in the hope that the day of the small wooden vessel or the small coastal steamer might be revived in that area and that port might still be able to participate in shipping. The whole area is, I might say, loaded with sea captains, first and second mates, and practically every second person on the main street of Parrsboro knows how to read the compass. It truly is a community that hopes for the success of shipping in all its aspects related to fishing, shipping of freight, ship building and ship repairing, and so this brief commences with a plea for the restoration of a ferry boat that used to operate for 100 years. We, I say, are happy to be able to come to present to you facts which relate to the rejuvenation of the community by the building of a wharf that would bring into that port the small fishing boats and small coastal steamers that do now ply through the Bay of Fundy, and perhaps would be increased in number if facilities were available there.

MR. MUNDELL: Mr. Anthony, I hope you will realize that the position of counsel to this type of commission invariably puts you in the position of being, in a sense, a prosecutor. We are always asking questions that might appear to be hostile but all we are trying to do is get to the facts for the assistance of the Commission. My first question is this, how high are the tides at this

point, what is the tidal range?

MR. ANTHONY: The tidal range -- for the information of tourists, we claim to have the highest tides in the world save for one in China which is not of interest to our tourists. That may be exaggerated because the 29 foot tides are at a place called Burnt Cove, which is directly across the Basin and perhaps further west up the Bay. However, we can claim tides, I think, of about 26 feet.

MR. MUNDELL: How would this affect the regularity of service on the ferry?

MR. ANTHONY: If the conventional type of wharfage were used, the ferry service would have to operate as it did for 100 years on a non-scheduled basis, a tidal schedule, probably running once to-day but probably twice the same day next week. The investigation of the Parrsboro Board of Trade led us to believe that a wharf with a ramp alongside of it and the proper type of boat that would draw no more than ten feet of water would be adequate for the service and could be properly wharfed and docked.

MR. MUNDELL: Have you had any estimates made of the cost of installation?

MR. ANTHONY: We have received an approximate guess from persons who investigated it on behalf of the Provincial Government, but it was merely a cursory examination and their cost was about $50,000, the cost of a wharf on one side of the

Bay which is most problematical the figures were in the vicinity of $800,000, which also includes a road approach to the wharf of one and a quarter miles.

MR. MUNDELL: Then, I gather that you are supporting this really from two points of view; one is a wharf by itself would be a very helpful installation without the ferry, is that correct?

MR. ANTHONY: Yes.

MR. MUNDELL: And the other is, you would like a wharf and the ferry?

MR. ANTHONY: Well, the idea of the wharf simply is, if a wharf is built it might just as well be designed to serve all purposes.

MR. MUNDELL: Would you have any idea what the cost of just the wharf, not designed for all purposes, just as a general type wharf for boats would be?

MR. ANTHONY: Tidal or non-tidal?

MR. MUNDELL: Of course, it would have to be tidal, would it not?

MR. ANTHONY: Well, the wharves now are tidal, in other words, if the tide is in or coming in and there is sufficient water at the base of the wharf you can get into port providing you get out before it reaches some level. Now, I have not any idea as to the cost of these wharves although there are several there that have been going into decline.

MR. MUNDELL: There is one navigation

wharf at Parrsboro.

MR. ANTHONY: Yes, but it is a tidal wharf and it is inadequate for the pulp ships and the lumber ships, they make some use of it, the small boats, the end line fishermen make some use of it. The cost of the wharf, a conventional type, I have not any idea.

MR. MUNDELL: But you have it anyway?

MR. ANTHONY: We have it there, as a matter of fact, if there was, if a conventional wharf at a point called White Waters, if there was even that type of wharf there we might be able to secure a ferry boat that would operate to-morrow.

MR. MUNDELL: Has any approach been made to the Canadian Pacific Railways? I believe they operated the previous ferry.

MR. ANTHONY: I believe in 1946, as is pointed out in the brief, both the town council of Parrsboro and the Board of Trade made some overtures to have the service restored. The C.P.R. had operated under a subsidy for a number of years and they were not inclined to favour taking it over again. They have sold the boat to begin with tointerests in Newfoundland. Their train schedules from Yarmouth to Halifax have been considerably speeded up and they would have to be slowed down to suit the tides and the ferry boat and there were a number of things like that. I believe both the Federal and Provincial Governments said it would be a waste of money, that is not quoting either the Federal or Provincial

Governments, it would be a waste of money to pay a subsidy to a tidal ferry boat.

MR. MUNDELL: I have no further questions, Mr. Chairman, thank you very much.

THE CHAIRMAN: Well, what you propose is not a tidal ferry boat at all, but a ferry boat which will operate independently of a tide?

MR. ANTHONY: Yes, our investigations led us to believe that a ferry boat running between Partridge Island about a mile and a half towards the east to a point called White Waters which is around the bend from Blomidon which is shown on the map in our copy of the brief sent to the Commission, would provide a water route of seven and a half miles which could be covered in forty minutes, allowing time for loading and unloading. We believe the ferry could be operated every two hours from either point. The demands that are made, for instance, by the tourists, even this summer, are quite amazing. The ships from the Valley area and transports from as far as British Columbia who come with furniture for service personnel based at Greenwood and Cornwallis and the Aldershot military camp, are signs of need by shipping interests to be able to have a short-cut into the valley area and also the Lunenburg area of the Province as well as Halifax.

THE CHAIRMAN: Well, of course, speaking as a motorist, we will always look for a short-cut but that is hardly justification for building

a ferry. I remember coming to Halifax, I got to the point opposite Chatham to find the ferry had broken a shaft, but by going six miles in each direction on the road I managed to get into Chatham. I do not know whether tourists' views would be sufficient unless you were able to show that the district did not get tourist trade because it lacked the ferry. I think there is something in that. Now, every one coming from Central Canada has to go through Parrsboro to get to Halifax by motor car.

MR. ANTHONY: No, sir, they do not.

THE CHAIRMAN: I thought they did.

MR. ANTHONY: There is another route through Oxford.

THE CHAIRMAN: Yes, but it is not hard surface, is it?

MR. ANTHONY: I believe the greater portion of it is.

THE CHAIRMAN: All the motorist has to see on the road map is the dotted lines to shun the district, so we turned around from Amherst down to Parrsboro and down to Truro so, of one hundred tourist cars arriving at Amherst, at least ninety would take that route.

MR. ANTHONY: I concede your point, but Parrsboro could be by-passed by a road called the Lynn Road, which is being used by increasing numbers of traffic these days. The tourists' complaint is that when they do come do Parrsboro,

they can look across and see the place to which they want to get, but they have to go 185 miles to make it. Now, sir, if you had come to Parrsboro and found the ferry boat with a broken bearing you would have had to travel 70 miles out of your way in order to accomplish your arriving in Halifax. The tourist industry, I think, is reputed to be one of the important industries of this Province now, and we have pointed out in our brief and I would like to sell the Commissioners tickets on this trip from Boston, from Bar Harbour to Yarmouth, through the Acadian Shore to Annapolis Royal and Port Royal, then on to the land of Evangeline to ferry to the Parrsboro shore, on to Fort Beausejour on to the Magnetic Hill near Moncton and the tidal bore and on to Fundy National Park, thence to Saint John and the reversing falls which is one of the wonders of the world. That would be a trip well worth seeing but, unfortunately, we cannot sell tickets for it. The ferry is not in Parrsboro and all these other things are in existence. The increase in the number of registered vehicles in our Province alone, apart from the tourist vehicles, is tremendous, and we understand that through the days before 1941 when the ferry boat was taken off as a wartime economy the number of foot passengers travelling between Moncton and the Annapolis Valley areas was considerable. The ferry at that time could not take more than six cars and probably 20 passengers and people had to wait sometimes

over night in order to get on the ferry boat in getting into parts of the Valley. It is 70 miles shorter from Parrsboro to Halifax if one had the ferry trip, it is approximately a 70 mile saving, for instance, from Halifax to the New Brunswick border by way of the route but to Kingsport across the proposed ferry to the New Brunswick border would be about 100 miles. The route from Halifax to Truro, Parrsboro, and to the New Brunswick border is approximately 160 miles. The route from Yarmouth up through the Valley across the short-cut from Windsor to Chignecto or Milford and out to the border is a distance of 368 miles, but from Yarmouth to the proposed ferry running at White Waters and then to the border is a distance of about 200 miles, so the man travelling from Yarmouth to the border will have his mileage cut by 168 miles, a man travelling from Halifax to the border if he was to go by way of the ferry would save from 50 to 60 miles. When we say 70 miles, there is just the question whether he will go through Springhill and to the border or by-pass Springhill through Southampton and save ten miles there.

MR. MUNDELL: Just one final question, on page 1 of the brief as printed you give certain reasons why the earlier ferry could not be operated on a profitable basis, listing four reasons. I was wondering if it would be helpful to the Commission as to why these reasons in your

view would no longer be followed.

MR. ANTHONY: The service is no longer a profitable venture in view of the fact that the schedule of operation was governed by tides; the schedule of operations being governed by tides means, if there was a high tide at noon to-day then there would be one trip and possibly two during the 24 hour period, but that was only a possibility. Certain seasons of the year we are acquainted with neep tides and ebb tides when in one period or the other you may get two trips in a day just for two or three days when the tides begin to come the other way. So, operating on such a schedule people would come and find the tide half out, there would be no ferry boat to-day, not until to-morrow. In other words, the travelling public would become a little indifferent to that ferry service and would just hope to arrive at the ferry wharf at the proper tide. They might watch at Saint John and, knowing that the tide is two hours later than at Saint John, they might race up and get the boat, but if it was a small boat, there is five or six ahead of them and they miss it anyway. The service could not be scheduled, you could get the information at Halifax but all they could tell you is that there is a ferry boat there and it operates on the tides, that type of ferry which operates by guess and by gosh. The type of ship was a tugboat equipped with a derrick, the boom would swing to the wharf, they would put hooks under the four wheels of cars,

raise them up and put them on the deck. If people had new cars they might get nervous prostration from seeing that operation, although it was quite safe. In order to get them off at the other side they had to put the four hooks on and do the same thing and it was quite a process even getting one car on or off. With the type of shore they had to have considerable water for wharfage and also had to be very careful loading. If a tide was proceeding rapidly and there was one car left on the dock the skipper might say he was sorry but there wasn't time to load that one car and people would be left over night. The wharf could not be accommodated to the extreme rise and fall of the tides, there is no consideration given to the wharf at all, when it had to act as a ferry wharf it was just a conventional flow of water and no provisions given for an auxiliary ramp or splitting levels or anything else. Those are some of the reasons and there are other reasons why it could not operate profitably, it runs non-scheduled and since it runs so infrequently, especially during the heavy travelling season, the number of cars it could take across, these things were against profitable operation. Now then, if there was a wharf that is non-tidal, a type of boat that could take 20 automobiles at least, that could operate on a schedule so that you could go out to the wharf and have the boat docking in five minutes or leaving in ten minutes and loading facilities,

the whole picture would change because it would be looked upon as adequate and modern facilities.

COMMISSIONER WICKWIRE: Would you not have to duplicate the wharf at White Waters?

MR. ANTHONY: There would have to be two wharves but operating this over on the Parrsboro side, these are the opinions of people who ought to know, people who are engineers, the opinion is that the wharving facilities at Parrsboro are not as technically difficult as the wharfage facilities in the Blomidon areas, and I think that is borne out by the Provincial Government when they made out that cursory examination I was referring to a while ago, they went to the most difficult spot to make an examination and figured it would be $800,000 for a wharf. Now, the wharf on the Parrsboro side we believe would be much less because it presents fewer technical problems.

COMMISSIONER WICKWIRE: You are familiar with the existing wharf at White Waters?

MR. ANTHONY: There is no wharf at White Waters.

COMMISSIONER WICKWIRE: It has gone, has it?

MR. ANTHONY: There is one point that the tide comes in so you would not have to have a wharf.

COMMISSIONER WICKWIRE: There was one there?

MR. ANTHONY: Yes.

COMMISSIONER WICKWIRE: At low tide, how far was the water from the end of the wharf?

MR. ANTHONY: That wharf called the Borden

wharf, I believe the water then at low tide was not there.

COMMISSIONER WICKWIRE: How far away was the water from the wharf?

MR. ANTHONY: The water from the wharf at low tide must have been 800 feet at least.

COMMISSIONER WICKWIRE: And at Kingsport it would be about half a mile, would it not?

MR. ANTHONY: I believe so. Now, the idea of White Waters is that the tide makes in there, you would not have any problem of sand flaps which would eliminate dredging, it is purely a gravel area and also you reduce the water travel. It is, I believe, presumed by those who have been looking into the matter that you could travel from the main highway to White Waters a distance of eight or nine water miles, you could travel that distance quicker by automobile than you could by boatmobile, that is to say, that a ship or boat has to go through the Sand flats and so on in order to make White Waters from Port Williams or Wolfville and from White Waters to Parrsboro by boat is just half the distance. If you landed at Wolfville you would have to go 16 water miles and if you land at White Waters you would go only seven. It is presumed you could travel those 16 miles faster by automobile than by water, so there is the time element.

THE CHAIRMAN: Thank you very much, Mr. Anthony.

NEWFOUNDLAND CANADA STEAMSHIPS LIMITED

MR. LAWRENCE F. DALEY representing Newfoundland Canada Steamships Limited.

MR. DALEY: I have a few submissions here and, with your permission, I would like to read from them.

THE CHAIRMAN: We will mark it as an exhibit, Exhibit 33.

---EXHIBIT NO. 33: Submission to Royal Commission on Coasting Trade by Newfoundland Canada Steamships Limited.

MR. DALEY: Newfoundland Canada Steamships Limited is a body corporate, having its head office at Halifax with at least 95% of its shares owned by Canadians. The company owns, through a wholly owned subsidiary, Chebucto Steamships Limited, and operates two Canadian registered cargo carrying motor ships, namely the Belle Isle II of 1,529 tons gross, and the Bedford II of 1,104 tons gross, which ply between Halifax and ports of Newfoundland the year round.

We believe that exclusion of British built ships from Canadian coastal trade and especially trade between ports on the eastern coast of the mainland and Newfoundland would have an extremely serious effect on all private companies operating in the coastal trade on the Atlantic for the following reasons:

(1) It has been the experience of this

company that trade between the mainland and Newfoundland is inclined to be seasonal, with the result that there are occasions during which individual operators may require to charter additional tonnage on a temporary basis. Suitable tonnage is not, and will not, in our opinion, be available for many years if restricted to ships of Canadian registry. Even in Britain it is often difficult to get the type of bottom necessary.

I may interject by saying that another situation might arise, namely, that should we lose one of our present vessels for any reason it would be imperative that we find a replacement without undue delay because our costs of administration and so on and so forth would continue to go on and we must have sufficient tonnage to support these costs. One ship alone would not do it, that is, one ship of the type we are presently operating.

(2) With Canadian registered ships this company is able to compete in the Newfoundland trade and to give employment to Canadians only because it has been possible to acquire tonnage at a relatively low cost. The traffic between Canada and Newfoundland is almost wholly from west to east, and with the exception of movements of salt fish in varying quantities, which is also to a great extent seasonal, there is practically no cargo moving from Newfoundland to the mainland. Steamship operators, therefore,

who are engaged in the trade from the Maritime Provinces to Newfoundland must rely for their income to a very great extent on cargo moving into Newfoundland from these provinces. The same situation is true with cargo moving to Newfoundland from other parts of Canada, although the odd bulk cargo moving westward is available in that case. Moreover, the freight structure is such, and in our opinion always will be such, that inexpensive tonnage is essential if private enterprise in this trade is to survive at all.

I might again interject there and say that our rates are restricted by virtue of the fact that one of our principal competitors is the Canadian National Railways and naturally to stay in business and to compete with them we must stay within these rate limits.

This company is opposed to the restriction of shipping engaged in the coastal trade to Canadian built ships, because when its present tonnage must be replaced or expanded, it is essential that it should be able to acquire new tonnage at the lowest possible cost. We say without hesitation that any restrictions placed upon us which would substantially increase either our capital cost or our operating cost would make it impossible for us to continue in this business under existing circumstances. In our opinion, no one can profitably operate a service between any port of Canada and Newfound-land with the rate structure as it is, and with a

ship built in Canada at present costs. We doubt if it would be possible under these circumstances to even make depreciation, altogether apart from any return on the capital investment.

(3) While this company favours the continuance of British ships in the coastal trade for the reasons above noted, it nevertheless feels that wherever possible by Governmental action Canadian companies should be encouraged to continue in that trade with ships of Canadian registry employing Canadian seamen.

In our opinion a healthy Canadian coastal trade, operated by Canadian Private enterprises in ships of Canadian registry, is in the public interest in every way. While it is difficult to specify here just how much encouragement can be given, we submit that no subsidies should be offered on any Canadian service for ships other than of Canadian registry if Canadian ships are available. Likewise, Government cargo and cargo over which the Government has control, directly or indirectly, should be routed in the coastal trade via ships of Canadian registry where the same are available before such cargoes are given to ships registered elsewhere in the Commonwealth. Furthermore, the Canadian Railways should be encouraged to assist wherever possible Canadian shipping operated by private enterprise engaged in the coastal trade. Particularly is this important in the Maritime-Newfoundland trade,

where the position of the private operator is so dependent upon co-operation of the great railways of the country.

That Canadian Companies and Canadian ships should receive this type of assistance is, we submit, self-evident. Canadian ships employ Canadian personnel exclusively; Canadian companies pay Canadian taxes and thus make their contribution to the Canadian economy; Canadian companies operating in the coastal trade are for the most part entirely dependent upon that trade for their very existence. They do not trade on the high seas and are not engaged in international business. If their Canadian business is destroyed, unlike many of their competitors, they are destroyed. Moreover, the position of Canadian private enterprise, competing with private enterprise from elsewhere in the Commonwealth, is difficult. The Canadian companies are much younger, they have far less capital than their counterparts from Britain in particular and they generally pay to their seamen a higher scale of wages, and cost of maintenance in Canadian shipyards exceeds that in British yards.

For these reasons, short of barring British ships and operators from the coastal trade, the Government should by all legitimate means encourage the young and struggling coastal trades of Canada and should assist them by all legitimate means to keep pace with the rapidly expanding economy of

Canada.

All of which is respectfully submitted.

THE CHAIRMAN: Mr. Lajoie?

MR. GERIN-LAJOIE: Would you tell the Commission for how long your company has been in existence, please?

MR. DALEY: The present company has been in existence for approximately 13 years and prior to that there was a predecessor company for approximately 17 or 18 years, a total, I would say, of 30 years.

MR. GERIN-LAJOIE: What was the name of the other company?

MR. DALEY: It was also known as Newfoundland Canada Steamships Limited.

MR. GERIN-LAJOIE: And is your company operating a service to-day between Newfoundland and Halifax?

MR. DALEY: That is correct, yes.

MR. GERIN-LAJOIE: Into St. John's?

MR. DALEY: No, we go to some of the out ports to pick up return cargoes of fish.

MR. GERIN-LAJOIE: Is your company the owner of the ships it uses or does it charter them?

MR. DALEY: No, it owns, through its subsidiary, two ships, the Belle Isle II and the Bedford II, and, in addition, from time to time it finds it necessary to charter a ship as particular movements may warrant.

MR. GERIN-LAJOIE: The two ships which you

mention which are operated by your company, were they built in Canada or Britain or elsewhere?

MR. DALEY: One was built, I think, in Canada, and the other in Britain. Both of them are converted corvettes.

MR. GERIN-LAJOIE: Do I understand from that they were built during the last war?

MR. DALEY: That is correct, yes.

MR. GERIN-LAJOIE: And are they manned by British or Canadian crews?

MR. DALEY: By Canadian crews.

MR. GERIN-LAJOIE: In both cases?

MR. DALEY: Yes, both are now in Canadian register.

MR. GERIN-LAJOIE: Did your company acquire the ships from the Canadian Government?

MR. DALEY: No, from a private individual who had previously operated them. We did charter them from the former owner for a year or two before purchasing.

MR. GERIN-LAJOIE: Do you have available any figures as to the comparative costs of ships operated with Canadian crews and ships which would be operated by British crews, United Kingdom crews?

MR. DALEY: No, I have not, except that I know the wages of the Canadian crews are substantially higher.

MR. GERIN-LAJOIE: Now, when you charter ships are they always Canadian or United Kingdom or does that vary?

MR. DALEY: To date we have been successful in chartering, that is the present company I am speaking of, we have been successful in chartering Canadian bottoms but suitable Canadian bottoms are becoming increasingly scarce and it is just a question of time before we will no longer be able to get them.

MR. GERIN-LAJOIE: You say suitable Canadian bottoms are scarce, would you explain what you mean by "suitable"? From the cost point of view?

MR. DALEY: Yes, the cost point of view and the capacity point of view. There is no point in us having a ship of 6,000 tons capacity going to Newfoundland for two reasons, in the first place, the freight movements out of Halifax, the cargoe does not accumulate rapidly enough to fill a ship of that capacity and, secondly, the facilities in Newfoundland are such that that quantity of cargo might very well tie your ship up for a long period of time before you could discharge it.

MR. GERIN-LAJOIE: What is the tonnage of the two ships permanently operated by your company?

MR. DALEY: Fifteen.

THE CHAIRMAN: It is in the submission, 1,529 gross for the Belle Isle, and 1,104 tons gross for the Bedford II.

MR. DALEY: The dead weight capacity for that is 1200 tons in the case of the Belle Isle and somewhat less in the case of the Bedford.

THE CHAIRMAN: Approximate figures.

MR. DALEY: I think approximately 1,000 tons dead weight for the Bedford and approximately 1,200 tons for the Belle Isle.

MR. GERIN-LAJOIE: And did you charter ships this particular season, ship or ships?

MR. DALEY: We chartered an additional ship in the fall of 1954, we did not this spring because we had too many ships, conditions being what they were.

MR. GERIN-LAJOIE: And what goods do you transport or ship?

MR. DALEY: General cargo, package goods and merchandise, everything except bulk cargo.

MR. GERIN-LAJOIE: You say you do carry bulk cargo?

MR. DALEY: No, everything with the exception of bulk cargo.

MR. GERIN-LAJOIE: Now, do you operate all the year round, 12 months of the year?

MR. DALEY: Yes, we do.

MR. GERIN-LAJOIE: And you mentioned that the trade had a tendency to be seasonal, would you explain to what extent as far as your company is concerned?

MR. DALEY: Of course, once the port at Montreal closes I would say there is a great increase in the flow of traffic through the Maritime ports. During the summer season a good portion of the freight must emanate in the Maritime Provinces and naturally that is only a

small percentage of the total that moves to Newfoundland.

MR. GERIN-LAJOIE: Could you tell us if your two ships have been fully loaded both ways, Halifax to Newfoundland and the way back?

MR. DALEY: No, not both ways. They have been, by and large, fully loaded eastbound, westbound is quite spasmodic, you may have no return cargo, you may have a small shipment of fish or on rare occasions a full cargo of fish back.

MR. GERIN-LAJOIE: Now, the ship you chartered last year, for how many months did you have it?

MR. DALEY: I think we had her for two months or so, she was similar to the size of the Bedford which we are presently operating.

MR. GERIN-LAJOIE: Now, have you heard of a Conference of shipping companies operating beyond the St. Lawrence River or between Canada and Newfoundland?

THE CHAIRMAN: Newfoundland and the Canadian mainland.

MR. GERIN-LAJOIE: Yes?

MR. DALEY: I do not quite understand the question.

MR. GERIN-LAJOIE: A so-called Conference which has to do with the fixing, maybe not the fixing of rates but discussing rates and discussing other matters of common interest to shipping companies?

MR. DALEY: Yes, I have heard of it.

MR. GERIN-LAJOIE: And are you a member, is your company a member of that Conference?

MR. DALEY: To tell you the truth, I do not know whether we still are or not, we were at one time when operating out of the port of Montreal, we possibly still are but we have no common interest with the port of Montreal at the present time.

MR. GERIN-LAJOIE: And as far as you know, this Conference has to do only with the St. Lawrence River shipping?

MR. DALEY: As far as we are concerned.

MR. GERIN-LAJOIE: You do not know of any interest of this Conference in the shipping between Halifax and Newfoundland?

MR. DALEY: No, I cannot answer that question.

MR. GERIN-LAJOIE: I say, as far as you know?

MR. DALEY: I should say this perhaps, that I think there is interest, and while we have been a member of the Conference there has been interest, but I should say this, that since Confederation the matters of interest have been primarily those of stevedoring problems and that sort of thing, not only with Halifax but with St. John's, Newfoundland, which is a problem common to all of us, of course, and these problems have come under discussion, and, I dare say, still do. I, of my own knowledge, have not partaken of them, so do not know too much about it. It is a matter that has been left more to the everyday management of the company to deal

with these problems.

MR. GERIN-LAJOIE: Have you had to do personally with the stevedoring problem in Newfoundland?

MR. DALEY: No, I have not.

MR. GERIN-LAJOIE: Do you know of any discussions among shipping companies as to the rates to be applied for the service between the Canadian mainland and Newfoundland?

MR. DALEY: That is another hard question to answer; of my own personal knowledge, no, I think such discussions have taken place, but, again, I think that since Confederation the governing factor with regard to rates has been rates charged by the C.N.R.

MR. GERIN-LAJOIE: I was coming to that point, you have mentioned the competition of the C.N.R., are your own rates changed to follow the competition of the C.N.R. from time to time?

MR. DALEY: Yes.

MR. GERIN-LAJOIE: Do you change your rates in the middle of a season or when do you change your rates or revise them?

MR. DALEY: We revise them as competition dictates we shall.

MR. GERIN-LAJOIE: And do you mean by that only competition from the C.N.R. or with shipping companies as well?

MR. DALEY: Yes, other shipping companies as well.

THE CHAIRMAN: What other shipping companies?

There is only one?

MR. DALEY: Well, there are a number of other companies in the trade, there is Furness-Withy, there is Clarke Steamships who are in here in the winter months.

THE CHAIRMAN: They have a regularly scheduled run to Newfoundland?

MR. DALEY: In the winter months it is a port of call, they come from St. John, New Brunswick, Halifax and St. John's. I think this is the point with regard to the C.N.R. rates, and so on and so forth, that every steamship operator is finding it increasingly difficult to keep their heads above water with increasing costs and comparatively low rates. The rates have not kept pace with costs, the result is that the C.N.R. increases their rates, we ourselves take advantage of the increase, we have to do it, if we do not we will not be here much longer.

MR. GERIN-LAJOIE: Now, these C.N.R. rates you referred to, are they the rates just for water transportation or combined rail and water?

MR. DALEY: It is a combined rail and water rate.

MR. GERIN-LAJOIE: From what place to what place? I understand you operate only from Halifax to a number of places in Newfoundland?

MR. DALEY: That is right.

MR. GERIN-LAJOIE: Do you refer to competition of the C.N.R. from Halifax to Newfoundland

or also other ports of the country?

MR. DALEY: Also from Montreal.

MR. GERIN-LAJOIE: How would this affect you? I mean, you do not take any cargo in Montreal?

MR. DALEY: During the winter months we book cargo from Montreal which is shipped by road to Halifax and carried on by us to St. John's, there is a division of those rates by agreement between yourselves and the C.N.R.

MR. GERIN-LAJOIE: Do you have such an agreement with the C.N.R.?

MR. DALEY: We do have, yes.

MR. GERIN-LAJOIE: And even if you have such an agreement, the C.N.R. -- well, I do not know if I understand you -- you say in effect the C.N.R. undercuts the shipping companies or would that be the wrong way of putting it?

MR. DALEY: No, I would not say they undercut the shipping companies. The point is, they have rates approved by the Board of Transport Commissioners, these rates, we feel, in many cases are very low, our division of the rates in many instances is very low, but we cannot exceed these rates because it would mean -- we would not get the cargo, we cannot lower the rates because we cannot afford to. That is the dilemma we are in.

MR. GERIN-LAJOIE: This is a point the Commission may want some more information on. The Commission has been told in Newfoundland that the rates fixed for transportation by the C.N.R. were

relatively high and that these rates, if I remember correctly, were applied only in winter time and were reduced in summer time when there was water competition by the C.N.R. from Montreal to Newfoundland. Now, is it your view that the rates fixed by the Board of Transport Commissioners are too high?

MR. DALEY: No, it is not.

MR. GERIN-LAJOIE: Too low, I mean. It is actually applied only in the winter time from the information we have?

MR. DALEY: These rates which are -- so far as our division of these rates is concerned, I say they are too low, winter and summer.

MR. GERIN-LAJOIE: Well now, the rates, is it determined by the Board or Department or determined only by agreement?

MR. DALEY: Determined by agreement between the C.N.R. and ourselves.

MR. GERIN-LAJOIE: So the determination of rates in Ottawa has nothing to do with the competition you are referring to?

MR. DALEY: Oh, but it does. For instance, our rates must be in line with the C.N.R. rates, that is self-evident.

COMMISSIONER WICKWIRE: Must be below C.N.R. rates?

MR. DALEY: Must be in line. Something is being shipped to Halifax, they have to be delivered below or not exceed those of the C.N.R., so that

is the governing factor. It is true, anything moving outside of Halifax we have to make the best deal we can with the C.N.R. because, after all, unless we work out an agreement with them which will give us an opportunity to work out a through rate, there would be two rates, the ordinary freight rate from Montreal to Halifax plus our ordinary rate from Halifax to St. John's, which just is not competition with the C.N.R., their rate from Montreal to St. John's.

MR. GERIN-LAJOIE: Could you tell the Commission what is the basis of the division of the rate, is it a mileage basis or ---

MR. DALEY: I am sorry, I cannot go into that at all, I really do not know.

MR. GERIN-LAJOIE: And you would not know if the basis of division is the same for all shipping companies?

MR. DALEY: I have no idea. This contract was negotiated by us with the C.N.R., I do not know whether we have made a more profitable or less profitable agreement than somebody else. Of course, we hope it is more.

THE CHAIRMAN: But there are two rates in effect, are there not, between Montreal and the Maritime Provinces in the summer time or, say, Toronto and the Maritimes? Perhaps that is better, Toronto and Newfoundland?

MR. DALEY: I think there are.

THE CHAIRMAN: You said it could not exist,

it does exist, because a man shipping from Toronto has the choice of shipping on the C.N.R. or on Canada Steamship Lines or Clarke Steamship Lines in which case it is the same rate, but he has another choice if he uses Newfoundland Steamship right from the Toronto docks?

MR. DALEY: That is true, but this is the factor so far as we are concerned, people shipping out of the Great Lakes have the entire freight to work on, we will say, for instance, that the rate on a commodity is $30 a ton from Toronto, and they have that entire $30 to work on from Toronto. If there is a rail haul to Halifax and then water carrier from Halifax to St. John's, our division of that $30 is -- I do not know exactly what it would be, but it would be very small, perhaps $8 or $9 or $10. Out of that $8, $9 or $10, we have the same loading and discharging costs as people in Toronto. It is true it is a shorter haul but the loading and discharging forms a cost, such a great cost against our gross income. Last year this ran consistently from 45% to 50% of our revenue. That is the difference between upper Canadian operators and operators in the Maritimes, we are under that distinct disadvantage.

COMMISSIONER BELANGER: In the winter time you mean you get a higher rate which might compensate you?

MR. DALEY: Well, because the C.N.R. charges a higher rate and our division is consequently

higher, but actually we are not very much affected by that, the volume of goods that flows from Halifax from the Toronto area in the summer months is not -- that is another factor that should be pointed out, I think, during the winter months our cost of operation is much higher than in the summer months, we have delays and damage to ships and all kinds of things which we encountered to our sorrow last winter.

MR. GERIN-LAJOIE: I should like you, if possible, to clarify a few points in your brief. You say in your brief:

"Suitable tonnage is not, and will not, "in our opinion, be available for many "years if restricted to ships of Canadian "registry."

Could you tell the Commission what makes you believe that such tonnage would not be available within a number of years?

MR. DALEY: Well, for this reason, assuming that we do not want to build a ship ourselves, which we do not in Canada ---

MR. GERIN-LAJOIE: You mean your company or the Canadian people?

MR. DALEY: Our company, and I am speaking of ourselves, I should not speak on behalf of anybody else. Anybody who builds a ship in a Canadian shipyard will be building it for his own use. Now, we perhaps next month might have a need for a replacement for one of our ships and

I only know of one ship that would be at all suitable for us under Canadian registry at the present time. Now, the point we are trying to make is that nobody, in our opinion, is going to build ships for the purpose of chartering them into the Canadian coastal trade, because nobody can afford to pay the charter rates which they would have to have. Our whole operation must be based on a low capital cost.

MR. GERIN-LAJOIE: I understand if all ship companies were on the same footing, do you think competition would be fair and your company would not suffer any damage from that point of view?

MR. DALEY: If everybody owned Canadian ships?

MR. GERIN-LAJOIE: Yes, if that were put into the law.

MR. DALEY: I think everybody would suffer and I think everybody would be out of business on freight rates where they are, I know they would be.

MR. GERIN-LAJOIE: So, the only thing ---

MR. DALEY: Well, if rates could go up to a high enough level, it would be very high to compensate for the great increase in cost, I think in those circumstances, if everybody is in the same boat, you can make anything work if you are given the right circumstances.

MR. GERIN-LAJOIE: You say the cost would be much more?

MR. DALEY: There is one point which was

suggested, that is, with the coming of Confederation the rates to Newfoundland are based on an all-rail basis, they do not take into consideration at all the cost of discharging the cargo out of the cars in North Sydney and putting it back on a boat and putting it back on and taking it out on freight cars. These costs are just absorbed somewhere, I do not know where, but if you forget all these factors it is understandable that the rates might not be quite realistic. Of course, I understand they call all rail rate the rate of transportation by rail and water, but that is only a matter of terminology as far as I know.

THE CHAIRMAN: No, your point is that it is more that if you and other operators were limited to Canadian built ships your capital cost and, therefore, your need for a rate would go much higher?

MR. DALEY: Much higher.

THE CHAIRMAN: But it could not go much higher because it has to compete with a C.N.R. all-rail rate by the terms of the union?

MR. DALEY: That is right, and, therefore, it follows we would just go out of business.

MR. GERIN-LAJOIE: Unless the rates go up themselves?

MR. DALEY: If the rail rates go up to a level where we could afford to operate ships we would be very happy to do so. Our feeling is it won't benefit the Canadian shipyards by getting

a situation which will be so out of proportion but it will hurt them, because at the present time they get an annual overhaul, which is some contribution, better than none.

MR. GERIN-LAJOIE: Is it not true that if the law restricted it to Canadian built ships there would be much more business to the coast of ---

MR. DALEY: It may be, I do not know, I am not qualified to answer that one.

THE CHAIRMAN: Yes, but you are a business man and you realize there is a good deal of truth in the fact that capital cost and depreciation of such a heavy plant as a shipyard can only be made if the shipyard is kept busy?

MR. DALEY: I quite appreciate that and there is nothing we would like to see better than the Canadian shipyards working, but our point is, during the transitional period everybody gets hurt and everybody ends up with nothing.

THE CHAIRMAN: There is also a factor, of course, in this question of freight rates you have been forgetting in this discussion, a rather important person, the consumer or buyer of freight rates and, as referred to in Newfoundland, due to the marginal character of a great deal of their industry increased freight rates out or increased cost of goods in would make their continuation impossible?

MR. DALEY: I appreciate that.

THE CHAIRMAN: So you have that in addition to any form of competition, you have that over-all operator?

MR. DALEY: Yes, a deterrent, we are not necessarily advocating increase of rates, we are saying what we want is a situation to continue where we have some control over our costs and that includes capital cost which is a very important item. For instance, if we have to replace -- I am just hazarding a guess, I do not know what it would cost to replace our ships, but I feel it would be perhaps $1½ million or $2 million to be built in Canadian yards and perhaps more.

THE CHAIRMAN: You would never replace it with that type of ship, a corvette, would you?

MR. DALEY: No, but for our purposes it does not matter whether it is a corvette or what it is, we have a more modern ship, granted, but the difference in the capital cost would be so great that the improvement in the new ship could not begin to compensate for it.

MR. GERIN-LAJOIE: You stress the importance of capital cost, what about operating costs? I do not see quite clearly from your brief what you have in mind. First of all, do you mean there should be some protection for Canadian registry ships operated by Canadian seamen as opposed to U.K. registry?

MR. DALEY: We do, yes, we feel this, that in a given situation if there is X tons of

freight to move and there are Canadian bottoms to move it, Canadian bottoms should be given the preference?

THE CHAIRMAN: Who is moving these X tons?

MR. DALEY: Well, a Government cargo.

THE CHAIRMAN: That is the purpose of my question. As I understand your submission you do not say there should be any limitation in the right of the United Kingdom ships to Canada in coastal trade, that they should have the same rights but the Canadian operator, in view of his higher costs, the Canadian economy should have a break in three different ways?

MR. DALEY: That is right.

THE CHAIRMAN: The Government freight, the subsidy, if there is to be a subsidy paid at all, and the railroads should use, or, in this case, there is only the one -- no, I suppose there is the C.P.R. out of St. John's?

MR. DALEY: Yes.

THE CHAIRMAN: Should use Canadian registered ships whenever available?

MR. DALEY: That is what we submit.

COMMISSIONER BELANGER: But your remarks do not apply to bulk cargo?

MR. DALEY: I think even to bulk cargo, although we are not personally interested, but I think as a matter of policy that should apply to bulk cargo as well.

MR. GERIN-LAJOIE: You are favouring some

Government help in different forms for the operation of Canadian registered ships. Is there any reason why you would oppose a similar or analogous help for the shipbuilding in Canada?

MR. DALEY: No.

MR. GERIN-LAJOIE: So that you could buy your ships in Canada?

MR. DALEY: No, none at all, provided it is -- I think you are making reference to subsidies for shipyards?

MR. GERIN-LAJOIE: Yes.

MR. DALEY: We have absolutely no objection to that at all provided this, if for instance we buy one of those ships it is not so fettered by restrictions and qualifications and limitations that we do not know whether we can ever move with it. In other words, if we buy that ship we want to be free to sell it if business conditions warrant that we should, and we want to be free to sell it on the open market, and we would not feel interested at all in going into it if there were any qualifications about the proceeds from that ship must be put back into another ship, because what would be the use building a ship for trade that may be evaporating under your feet? A further important thing, if these things are too restricted you would never be able to do public financing for the purchase of the boat, the bond holders would be concerned to think they could not realize on their security, you need bonds.

MR. GERIN-LAJOIE: Have you any figures at this time or at a later time showing the proportion of cargoes you get from the C.N.R. on a division of rate basis?

MR. DALEY: I have not it, but it would certainly be available.

MR. GERIN-LAJOIE: Could you supply the Commission through the Secretary?

MR. DALEY: Yes, we will.

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

THE CHAIRMAN: Mr. Gerity?

MR. GERITY: If I might just ask a few questions. I take it your position is a mixed one, you own two Canadian ships and ---

MR. DALEY: That is not quite so.

THE CHAIRMAN: If I might interrupt you, the Reporter will not be able to get your reply if you face that way.

MR. GERITY: I will move over. You do own some Canadian ships?

MR. DALEY: Two Canadian ships.

MR. GERITY: And you do charter some British ships?

MR. DALEY: No, we have not with the present company, my recollection is we have not chartered them, any ships we may have chartered would be of Canadian registry.

MR. GERITY: But you want to be free to charter them?

MR. DALEY: Yes.

MR. GERITY: And yet, do you say the position of your company is that you are against any restriction of the coastal trade?

MR. DALEY: That is right.

MR. GERITY: Now, I put it to you this way, suppose your company was able to get a licence to do some particular thing, what then would be your view about restrictions of the coastal trade?

MR. DALEY: Well, I do not quite understand that question.

MR. GERITY: Well, I put it to you this way, it is possible to restrict the coastal trade to Canadians and still provide for a licence system in special circumstances. On the other hand, your company, if I understand what you said correctly, are against any restrictions?

MR. DALY: That is right, we feel British registered ships should be free to trade in the coastal trade.

MR. GERITY: If they could be given a licence in special cases, then what would your view be?

MR. DALEY: I do not see -- I would rather not answer that, I do not quite see why it should be restricted.

MR. GERITY: Well, in your own case I think you said that you were in favour of Canadian operators having every possible help and assistance, and I take it from that you take a fairly good view of Canadians running their own ships?

MR. DALEY: Absolutely.

MR. GERITY: Well, to get back to where I was, you still want to have the right to charter U.K. ships?

MR. DALEY: That is right, but if we charter a U.K. ship and somebody else has a Canadian ship I say the fellow with the Canadian ship should be given the preference.

MR. GERITY: But I say if your company had a licence to charter on special occasions it would not make any difference to you whether the Government did restrict the coasting trade?

MR. DALEY: No, as long as we could get the licence with reasonable facility.

THE CHAIRMAN: And without any strings?

MR. DALEY: Yes.

MR. GERITY: The reason I asked these questions is that everybody in this room for the last two days is unanimously against doing something except one of the unions but nobody has said it might be done a different way, that is the reason I put that question to you that way. There is one other question, if this Commission were prepared to recommend that the trade within the Great Lakes, that is the inland waters of Canada, were restricted, what would you say to that?

MR. DALEY: Restricted to what? Canadian ships?

MR. GERITY: Yes, Canadian ships?

MR. DALEY: Well, offhand I do not think I would favour the idea.

MR. GERITY: Would it make any difference to you?

MR. DALEY: It might very well, we might want to go into the Great Lakes with a British ship.

MR. GERITY: But at the moment you are still in favour generally of Canadian ships?

MR. DALEY: Yes, if there is any possible way within reason and which will permit Canadian operators to operate, I am all for it, but I do not see that there is a solution.

MR. GERITY: I suggested one reason to you just now, that is a restriction of trade within the inland waters. However, when your company acquired these two little ships, I put this question to you, that you could not have anywhere in the world obtained tonnage at that time, speaking of availability.

MR. DALEY: In 1951 I would not completely subscribe to that.

MR. GERITY: Well, your predecessor?

MR. DALEY: Our predecessor built a ship in England.

MR. GERITY: At the end of the war?

MR. DALEY: It would have been their boat.

MR. GERITY: You could not have gotten tonnage?

MR. DALEY: That is right.

MR. GERITY: And during the period of the Korean War it was extremely difficult to get tonnage?

MR. DALEY: That is right and, in all fairness, it is hard right now to get suitable tonnage for our freight trade because they just do not build ships of the size that we feel is desirable.

MR. GERITY: Most people in specialized trade build specialized ships?

MR. DALEY: Yes.

MR. GERITY: Thank you.

COMMISSIONER WICKWIRE: Mr. Daley, Furness-Withy suggested to us in Newfoundland that they were a branch of the C.N.R. between Halifax and St. John's, do you regard yourself as that?

MR. DALEY: I think it is perhaps not altogether an unreasonable statement. I will put it this way, a very large percentage -- no, we do not consider ourselves a branch of the C.N.R., we consider ourselves quite independent of them in so far as our operation is concerned, but we are unquestionably quite dependent on them for the amount of cargo we get.

COMMISSIONER WICKWIRE: Well, I think it was perhaps in that respect it was made. You have to take a small portion of the over-all rate?

MR. DALEY: That is right.

COMMISSIONER WICKWIRE: You get a lot of cargo that you do not have to go out and look for?

MR. DALEY: That is correct, they do all that, we are simply sub-contractors for them, if you wish, in a large percentage of the over-all volume.

COMMISSIONER WICKWIRE: Now, you mentioned, I think, cargoes getting scarce or at times it is scarce?

MR. DALEY: It is seasonal, this time of year it is inclined to be a little scratchy.

COMMISSIONER WICKWIRE: Your carriers are not readily adaptable for carrying motor cars?

MR. DALEY: Oh, we carry a limited number, they are quite suitable for that purpose but the rates being what they are, we cannot fill them with automobiles.

COMMISSIONER WICKWIRE: One dealer suggested in St. John's that he had 200 cars here in Halifax for two months that he could not get moved.

MR. DALEY: Well, it is a very difficult thing to allocate a ship for only the movement of automobiles.

COMMISSIONER WICKWIRE: There is a lot of waste space?

MR. DALEY: Yes. We try to take our share, I know that Furness-Withy take a large number, more than we do.

COMMISSIONER WICKWIRE: He was a bit concerned because he could sell them if he had them and while we were there the newspaper came out saying the new models were coming out in October, he had ordered these last January and they were here six weeks or two months and he could not get them moved.

MR. DALEY: It was just pointed out to me

that that is one of the reasons for the building of this new ferry, that it will be well adapted for the carriage of automobiles and no private operator could afford to do it, the rate would not permit it.

THE CHAIRMAN: Well, these rates, I do not know who is shipping these or whether they are -- anything being shipped is the property of the dealer, but if I were in business in Newfoundland with a lot of orders for automobiles and with the new models coming out in October or November, at the end of the year I would be very happy to cut my profit on each automobile by $50 in order to get them over to Newfoundland so I could sell them.

MR. DALEY: Even then, you see, an automobile is such a bulky thing.

THE CHAIRMAN: You do not think an offer like that would tempt you to take a whole load?

MR. DALEY: I doubt if it would, because, suppose we take 50 or 60, you have loading difficulties and so on and so forth; secondly, a shipload of automobiles would not pay the way down, I do not think, unless the rates were very much higher than you suggest.

THE CHAIRMAN: I have no idea of whether it costs $5 or $50 to bring them across, but I was thinking of a man who is going to sell, making some kind of profit, he would be very glad to sell and make that profit than miss it altogether.

MR. DALEY: We certainly are aware of that

problem, it is a seasonal one with which we are confronted.

THE CHAIRMAN: But is not that something more, are you free to change that rate, are you free to go up on that rate, if the Newfoundland dealer walked into your shipping office this afternoon and said, "I want to make a deal with you to get these automobiles across"?

MR. DALEY: We are perfectly free to do so, I do not know if he would do business with us again, but we would be perfectly free to do it. We would immediately get ourselves into trouble with that, because to-day we move a car for $150 for Mr. Smith, perhaps next time the cargo situation is not so taut and we move another make of car for Mr. Jones for $100, and they are getting together and ---

THE CHAIRMAN: As an old-time free trader I can find no fault with that, that is people making a bargain.

MR. DALEY: Well, we are perfectly open to any suggestions.

THE CHAIRMAN: Thank you very much, Mr. Daley.

FERGUSON INDUSTRIES LIMITED

MR. A.A. FERGUSON, President, representing Ferguson Industries Limited.

THE CHAIRMAN: Yes, Mr. Ferguson?

MR. FERGUSON: Gentlemen, I am president of Ferguson Industries Limited and I will endeavour to keep my remarks brief and within the scope of the investigation, I hope. I believe our submission covers most of the points that we had in mind, but it may be in order to give you a brief outline of the situation as we see it from Pictou.

The town of Pictou has a population of between 5,000 and 6,000 and we in Ferguson Industries provide employment for a group of men numbering 350 to 450 and at times we reach a peak of slightly over 500. Now, in a community the size of Pictou it will be appreciated that the earnings of a group of this size forms a very large percentage of the wage revenue of the town and, therefore, forms a means of merchants' earnings and revenue and providing municipal taxes for the efficient operation of the town. We do know that when our employment is lessened it has a very definite effect on business as a whole in the community.

The history of our company is, it was founded originally in 1855 and has expanded and gone into diversified types of manufacturing since that date. Our company is what is known as a family company, it has been in the family for many years.

That sometimes has advantages and sometimes very serious disadvantages inasmuch as we feel a very personal responsibility for the providing of a livelihood for our employees whom we have known, many of them for many, many years, and their families, and it does add a very personal responsibility. As I stated, we have endeavoured to diversify our manufacturing facilities, keeping in mind that shipbuilding and ship repairing on the East Coast is a very irregular form of employment, it has very serious peaks and valleys of employment which seems difficult to eliminate.

Situated as we are on the extreme eastern coast of Canada, we can only diversify to a degree because markets for products are where the population is dense. In other words, most of our products must be manufactured and shipped to the central part of Canada in order to obtain a market. In our business our principal raw material is steel and we are therefore faced with the cost of transporting the steel in its raw state from the mills in the central part of Canada or the United States and fabricating and then shipping over the same long freight haul to the market. That does definitely limit our possibility of entering certain fields of manufacturing.

Our yard is what is known commonly as a small ship yard, we have not the necessary complete facilities for the construction of large ships. We do construct the smaller ships which,

for the moment, let us consider as a type of ship suitable for the coastal trade, small tug boats, barges, scows, etc.

A second and very important item in providing continuity of employment is the annual repairs of the existing coastal ships. That phase of our operation has kept us in business at times when there was very little other types of business available. Ships must be repaired and if they are operating on the coast and are Canadian registered they are normally repaired on the coast. Ship owners do not like to take a ship long distances to a yard and have it overhauled and a costly trip back again to their scene of operation.

A brief outline of our rather outstanding expansion during the last war might be of interest. At the outset of the war our company was quite small and we were asked by the Government and naval authorities to take on a programme of shipbuilding and ship repairing. We expanded to a very marked degree and I have very close personal knowledge of the problems because I was directly associated with them. The location or the finding of suitable manpower was a very serious problem but we had to do it, the ships had to be repaired and had to be restored to service as quickly as possible. I can recollect many cases where it was absolutely essential that the ship be repaired and returned to the line of duty

promptly and quickly. One case comes to mind, we had a British destroyer in that wæs in trouble, essential repairs had to be done. We learned later that particular destroyer left our yard after we had worked 24 hours a day for several days, the ship had to sail on a deadline, we did not know why, we had our suspicions, but it proceeded from Pictou down off the Cape Breton Coast to pick up a convoy. At that particular time of the hostilities we were informed that was the only ship available to protect that large convoy. If that link was missing, with the subs hovering off the coast, they could not tell how serious it might have been. There are many cases likethat, but that one happens to come to mind.

We did learn during late 1944 or early '45, we were approached and informed that it was being discussed in the United Kingdom at that time that some of their facilities be transferred to the East Coast in order to service their ships and we were asked to make out a certificate as to what we could do, how much we could expand, what other work we could undertake. The situation was so serious in the United Kingdom at that time that they were looking to us on the East Coast to provide manpower and facilities to keep their ships on the high seas.

At the present time, in order to provide employment and to venture into a new field, we have purchased a ship and are now converting and

outfitting our own modern motor ship for the coastal trade. Its dead weight capacity is about 1200 tons and that ship will be manned by Canadians and paid on a Canadian scale of wages and will be operated by ourselves. We know that the scale of wages for the complete crew of United Kingdom men would be very much lower but that is far from our intention at this time. We feel confident that ship will operate somewhere on the Coast provided all our coastal routes are not taken up by ships from the United Kingdom which operate on an entirely different financial basis. That particular venture will provide employment for some additional Canadians, it will provide an additional annual refit and additional employment for our own staff in our plant. Briefly, I think that covers my story to the Commission.

We feel that we have a very personal interest in providing employment for men who have been with us for many years, and as I mentioned, a large portion of our work is now hinged upon repairs and maintenance and the annual overhaul of the coastal ships on the East Coast. In the event that this number of ships is further reduced due to any further inroad from competition, it will have a very serious effect on our employment picture and there is really nothing we can do to meet it. I think that about covers the situation.

THE CHAIRMAN: Mr. Mundell?

MR. MUNDELL: I hope you will not mind if I

ask you a few questions?

MR. FERGUSON: No, sir, you proceed.

MR. MUNDELL: You mentioned that your business was diversified. Does that extend outside of ship building sphere into other lines of manufacture?

MR. FERGUSON: Yes.

MR. MUNDELL: I think it would be helpful if you could indicate roughly the sort of thing you are concerned with?

MR. FERGUSON: As I mentioned, during the last war we went through a very extensive expansion programme and we trained men in a large number of additional trades and skills. Briefly, I will endeavour to outline a few of them; one is radar, we now instal and service radar sets on ships on the coast and we do a fair volume in that, and it includes foreign ships as well as Canadian ships. Allied with that you have electronics, the echo sounding, the wireless, ship-to-shore phones and modern electrical installations. Prior to the war our experience was quite limited, now it is quite wide.

MR. MUNDELL: You mentioned working in steel fabricating and sending it out. What sort of thing?

MR. FERGUSON: Well, one particular phase, at the moment we construct oil storage tanks of various sizes and they are bulky to ship any long distances for the central market. In other words, we would not be able to compete with a manufacturer

situated say in Toronto or vicinity, he would put it on the market cheaper than we could.

MR. MUNDELL: In Toronto?

MR. FERGUSON: Yes.

MR. MUNDELL: Not here?

MR. FERGUSON: Oh, no, that is one of our diversifications.

MR. MUNDELL: Would it be fair to give the Commission some idea of the magnitude of your business in shipbuilding and ship repairing and the other parts of it?

MR. FERGUSCN: Shipbuilding and ship repairing would represent 85% to 90% of our total turn-over.

MR. MUNDELL: The reason I was asking this is, in your recommendation about restriction of shipping, coastal trade to Canadian vessels, we have been told that would increase the cost of transportation and I was wondering whether you would meet that factor on the other side of your business, if the transportation costs go up would that affect the other side of your business, that is what I had in mind?

MR. FERGUSON: No.

MR. MUNDELL: Do you think the costs would be increased by the restriction?

MR. FERGUSON: I do not think so, frankly. The point was brought up this morning, which was a very good point, I thought, that volume quite often determines the price. In a yard such as ours, assuming we had an order for one coastal

ship, an order of a certain type, we do know in the United Kingdom yard of a similar type they might have an order for twelve, and it makes a tremendous difference in the unit cost. We have a very good example within the past six months, we have been constructing a number of Diesel tugs, similar lines, a few variations but normally they are for all intents and purposes made in the same mould and the unit cost on those has come down with numbers. The first cost covers your templates and planning and everything, and the rest come along at a very greatly improved price and similarly in all types of manufacturing. A point was mentioned this morning on volume cost, that is your factor that absorbs your overhead.

MR. MUNDELL: I suppose it would be impossible to give any idea of the percentage of saving between manufacturing one and manufacturing twelve, or is that sort of analysis possible?

MR. FERGUSON: An intelligent estimate would be in the vicinity of 15% to 20% depending on the type and nature of the construction. If it is greatly complicated it may not mean that much but if it is a simple design it could.

MR. MUNDELL: I got a little bit off the track, I would like to go back and start again. Are you a member of the Canadian Shipbuilders' Association?

MR. FERGUSCN: Yes.

MR. MUNDELL: And have you seen the brief

that they have presented to the Commission?

MR. FERGUSON: Yes, I have.

MR. MUNDELL: I take it you associate yourself with the brief?

MR. FERGUSON: That is correct.

MR. MUNDELL: You associate yourself with it. One of the proposals put before the Commission by the Dominion Marine Association is that a line of protection be drawn at the western end of Anticosti to the north shore, what would your views be on that?

MR. FERGUSON: Our chief concern, in answer to your question, is this, I point out, any major reduction in the number of coastal ships in the immediate area would be a very serious and definite loss to us. The only complication in that situation is that in the opening of the St. Lawrence Seaway to the United Kingdom ships, they might combine certain freight runs in the eastern end of the river area and down around the coast and thereby possibly eliminate some of the existing services on the coast. It is very easily done to make a combination of runs and make a loop and come back again. In that case the British ships would finish their season and fill up with fuel and sail for Britain or other parts of the world and we on the east coast would be left with no repair work of any description. In recent years it has been their practice to have that work done in the United Kingdom whenever possible.

MR. MUNDELL: The proposal put forward on seeking the protection by restriction at the western end of Anticosti is based on this reasoning; the lake shippers have always had the natural protection of the cork in the St. Lawrence River which is being taken out by the St. Lawrence Seaway and have put before the Commission that they will be forced out of business if cheaper ships can be bought abroad and brought into the lakes. Your position is a little different because you have never had that protection and I was wondering what your forecast would be, why do you seek it now, do you forecast difficulties?

MR. FERGUSON: Only the fear I mentioned, it may be unjustified, but it is still this, that a ship might combine some of the calls on the eastern end of the St. Lawrence area and loop around the coast and come back again.

MR. MUNDELL: And they would be based say in Montreal?

MR. FERGUSON: Yes, and leaving for the United Kingdom for the annual overhaul so there would be nothing left for Canada.

MR. MUNDELL: If there was no Seaway coming in, would you still recommend restriction in coastal trade to Canadian built and registered vessels?

MR. FERGUSON: I would.

MR. MUNDELL: Is it that you foresee no future business or a falling off in the business?

MR. FERGUSON: I do not follow your question

completely.

MR. MUNDELL: You are in operation now with a very large turn-over by my standards, mentioned on page 2, for the year 1953 your volume was $2,400,000, you are doing quite a volume of business, why do you seek the protection if there is no change foreseeable?

MR. FERGUSON: Well, we are concerned and have been for a period of the last few years, there has been a great reduction and if this continues without a halt along the line somewhere it will have a very serious effect.

MR. MUNDELL: Why do you think the reduction has occurred?

MR. FERGUSON: Well, I feel it is the cheaper operated ships on the coast and they are obtaining some of the business.

MR. MUNDELL: You feel the United Kingdom bottoms are out-competing the Canadian bottoms to the point where the Canadian bottoms are disappearing?

MR. FERGUSON: That is correct.

MR. MUNDELL: So, if I might just get it clear for myself, you would be seeking the protection regardless of the St. Lawrence project but you feel it might exclude the need for it?

MR. FERGUSON: That is correct, it is our fear that it could make worse a condition that is existing at the moment and might increase.

MR. MUNDELL: What is the bulk of your

business at your shipyard, ship building or repairing?

MR. FERGUSON: The bulk is repairing.

MR. MUNDELL: Could you give an idea of the proportions?

MR. FERGUSON: About 33% ship building and the balance is ship repairing.

MR. MUNDELL: Do you think you would lose that building business without protection?

MR. FERGUSON: Well, the percentage we have now in that particular field of business ---

MR. MUNDELL: I beg your pardon?

MR. FERGUSON: If we are going to be forced to compete for the business against United Kingdom prices, there is no question that we would lose out.

MR. MUNDELL: Who do you get orders from now in the main part of the ships you build, Government or private industry?

MR. FERGUSON: A large percentage of Government on fixed prices and competitive tenders and the balance private owners.

MR. MUNDELL: I am sorry to keep asking you for the proportions, but I was wondering what proportion would be Government business and what would be private business?

MR. FERGUSON: At this stage I would assume the Government business would represent about 75% of the volume.

MR. MUNDELL: Will that be repetitive or

is it naval building?

MR. FERGUSON: No, I wanted to clarify that point, a large percentage of that is competitive, on competitive bids.

MR. MUNDELL: I did not make myself clear, I said repetitive, is this sort of business the kind that will repeat itself or is it naval business that when a quota is finished it will come to an end?

MR. FERGUSON: A percentage is naval, but it is not large, the largest is the other branches.

MR. MUNDELL: That would be the Department of Transport?

MR. FERGUSON: And Public Works and other departments.

MR. MUNDELL: So you might expect that to continue in various proportions?

MR. FERGUSON: Yes.

MR. MUNDELL: Then, on the repair side, do you repair any United Kingdom vessels?

MR. FERGUSON: In recent years it has been very limited, we found that there has been a major change in their operation. Some years ago when the United Kingdom ships came out to this coast, I am speaking of those engaged in Trans-Atlantic trade.

MR. MUNDELL: I was thinking of the repairing.

MR. FERGUSON: I was speaking of ships coming from the United Kingdom and picking up a cargo and going straight back across the

Atlantic. At one time that type of business was exceptionally good, but in recent years our experience has shown us that the United Kingdom owners are very loathe to spend any dollars in Canada. At times ships would be in the area loading or discharging and except in a case of dire emergency they will not spend a dollar, they say they have not got it.

THE CHAIRMAN: At the time they were doing the repair business, was that shortly after the end of the war when all the yards in England were blocked up so they could not get anything done?

MR. FERGUSON: No, I am talking about prior to the war when they came to this side and had a fair volume of repair work done in Canada.

MR. MUNDELL: So at the moment you say your repair business is largely confined toCanadian vessels. Well, here is another proportion, what would be the Canadian and what would be the United Kingdom?

MR. FERGUSON: Recently the proportion of Canadian has been very high, but except in cases of a casualty when a ship is damaged due to heavy water, they do not carry out any repairs on the East Coast in our area.

MR. MUNDELL: And how much of the Canadian repair business you do would be Government and how much would be private industry, roughly speaking?

MR. FERGUSON: On the average our

private would probably approach 60% to 70%.

MR. MUNDELL: The balance would be Government?

MR. FERGUSON: Government, yes.

MR. MUNDELL: Would that be naval or Department of Transport and Department of Public Works?

MR. FERGUSON: A very small percentage naval in recent years.

MR. MUNDELL: And this private repair work, that you feel will possibly vanish if the Canadian coasting trade is not protected?

MR. FERGUSON: That is our concern and I hope I made myself clear, I am thinking that due to a combination of circumstances and a combining of various routes, it could eliminate from our coast some of those ships that have been providing employment in our area.

MR. MUNDELL: Do you do any repair work on Newfoundland schooners?

MR. FERGUSON: Are you speaking of the wooden schooners with sails and so on?

MR. MUNDELL: Yes, well, not sails so much.

MR. FERGUSON: No, we do repair Newfoundland ships but they are all motor ships or draggers trawlers.

MR. MUNDELL: The schooners do not come to you?

MR. FERGUSON: No.

MR. MUNDELL: Is there any particular reason why that would be?

MR. FERGUSON: Well, it is a matter of distance, I believe.

MR. MUNDELL: What kind of marine railways have you in your shipyard?

MR. FERGUSON: We have two, one a capacity of 1,000 tons and the second, a newer one, a capacity of 2,000 tons.

MR. MUNDELL: You could not give an estimate of constructing a marine railway of, say, 300 tons to 500 tons?

MR. FERGUSON: Are you speaking of 300 tons or 500 tons?

MR. MUNDELL: Say a 500 ton marine railway?

MR. FERGUSON: Well, a 500 ton, I am trying to go back to our costs and add on the present-day increase -- in the vicinity of $150,000 or $200,000 depending on the condition of the soil and so on, the preparation work.

MR. MUNDELL: Now, it has been suggested, one of the proposals put forward before the Commission is that instead of restricting the coasting trade to ships which are built and registered in Canada, in order to help the ship building industry to have a subsidy for the building, what is your position on that? Do you want full protection or would a subsidy designed to help the ship builder be a satisfactory thing from your point of view?

MR. FERGUSON: A subsidy programme would be very good, it would serve two purposes and

possibly more. It would provide a continuity of employment and, secondly, provide ship owners with ships which are competitive in cost.

MR. MUNDELL: You have recommended restriction of the trade, but from the point of view of a ship yard operator would a subsidy really meet your problem or do you think it is necessary to go on and restrict trade?

MR. FERGUSON: It would provide tremendous assistance in our problems if the subsidy was available.

MR. MUNDELL: It might not be necessary in that case to restrict the trade to Canadian vessels?

MR. FERGUSON: That is correct.

MR. MUNDELL: You mentioned earlier that United Kingdom participation in the traffic here had increased. The figures I have show the over-all participation of Canada is 5% in coasting trade and 14% in this particular area. You mentioned that it had been increasing, what are your views, is it increasing or decreasing?

MR. FERGUSON: Well, my detailed knowledge is limited on that. All the general information would lead us to believe it is increasing, possibly the fact is it has shown a larger increase in this coast than general improvement.

MR. MUNDELL: You feel it is increasing here?

A. Yes, that is our feeling, judging by our repairing work.

Q. How would you account for the fact in view of the advantages that the United Kingdom shipping has, that Canadian shipping now has between 80% and 85% of the business?

MR. FERGUSON: It must be very efficient, it must provide competitive rates or it would not have it.

MR. MUNDELL: That is all, thank you.

COMMISSIONER WICKWIRE: Mr. Ferguson, is there any other practical method of repairing a schooner type of vessel up to, say, 130-150 tons except on a marine railway?

MR. FERGUSON: No, sir, there is none. You are thinking of that question I was asked about the 500 ton railway. A schooner can be accommodated on a railway of very much smaller capacity and at a very great less cost.

COMMISSIONER WICKWIRE: Schooners of 500 tons -- if you were given a job repairing saying 100 or 150 schooners, their annual overhaul, and you had to start from scratch to erect the apparatus to get them in, what sort of apparatus would you design?

MR. FERGUSON: It would have to be a properly designed marine railway, that is the cheaper of the two, as against a drydock which is expensive to operate, a properly designed marine railway designed for the capacity of the ships you might anticipate, drydocking, there is danger of over-design and facilities may be used occasionally but not

continually and, therefore, from a capital cost point of view they are very much higher. I think I know what your ---

MR. MUNDELL: Perhaps I could ask one question on that, what would be the cost of these facilities?

MR. FERGUSON: Well, again, I can only base my estimate on an intelligent view on our own experience and from our investigations which we have carried out in Newfoundland ourselves, and it should be kept in mind that you have two problems, you have one problem, drydock facilities, and, two, this is sometimes overlooked or not given its proper importance, providing facilities for carrying out the repairs.

MR. MUNDELL: Machine shops and so on?

MR. FERGUSON: Yes, and various other things and it is a very important factor, some of the ports are very isolated and must be self-contained. In Nova Scotia, for instance, we can -- all of the yards can depend on major facilities at central points, I am thinking now of forgings, they are available in the next community, they could not provide those in Newfoundland. Of course, even machine shop facilities would have to be complete, that really takes some serious study to decide on how far you can go and what facilities should be provided, it does represent a very large proportion of the capital cost of providing the marine railway facilities.

THE CHAIRMAN: You cannot venture an

estimate now?

MR. FERGUSON: Well, it would be -- it might be difficult -- you were speaking now, you were restricting yourself to the wooden coasting schooners, so-called. Now, to-day, it is motor traffic.

COMMISSIONER WICKWIRE: I suppose it would be impractical to provide facilities for that type of vessel because they might not always be on the coast?

MR. FERGUSON: Well, really, the facilities are ---

COMMISSIONER WICKWIRE: If you were providing facilities you would provide for a much larger type of vessel. In other words, is it not a danger that that type of vessel will disappear from the coast?

MR. FERGUSON: I would say there is.

COMMISSIONER WICKWIRE: And be replaced by a different type?

MR. FERGUSON: Yes, there is a very definite danger that the wooden hull will disappear due to the cost of building and maintaining that wooden type to-day. The source of supply for proper timber is being depleted and the timber used in some of the more recent wooden ships is not of the same quality as it was many years ago and, therefore, the ship does not have the expected life. If round figures would assist you, as I stated before, during the past few years we have done

some investigation on our own on a couple of projects in Newfoundland and we did not get down to that particular size of dock, we were working on something larger, but a 100 ton dock with normal conditions to build on, that is, not too expensive piling and preparation work and dredging and so on, it would appear that $100,000 would be a reasonable estimate and for the shop facilities for the class of ship which we were discussing, again it would appear that figure as $100,000 which would be ample, that might be high, but not considering buildings and equipment, I think that is it. That is on our own figures and it might act as a guide.

THE CHAIRMAN: Thank you very much, Mr. Ferguson.

MR. J.K. BELL: May I ask a question?

THE CHAIRMAN: Yes, certainly.

MR. BELL: Mr. Ferguson, in reference to the statement you made as to the relationship of unit cost and volume and as a ship builder having experience in building 4700 tonners during the past war, in the event your company was able to obtain say a contract for building a comparable size of ship either for Canadian use or for export, would that in any way favour your position on, say, tendering on a coastal vessel at the same time?

MR. FERGUSON: You are speaking of what size of ship?

MR. BELL: Say another 4700 tonner, if your company were able to obtain the construction order on a 4700 tonner for export, would you say that having that contract would affect your yards in being able to compete more favourably in the construction of coastal vessels at the same time?

MR. FERGUSON: No, I think you misunderstood my remarks. What I endeavoured to state was ---

MR. BELL: I am asking in a new situation.

MR. FERGUSON: Arising out of a lot of similar orders.

MR. BELL: I got that point, there is that relationship of unit cost to volume, but in a new situation, if you were able to -- I am bringing out the point as to whether or not the coastal ships could benefit by yards having coastal orders at the same time or larger ship construction orders, if your yard were favoured with a construction order of a 4700 tonner and at the same time there was a construction order for a coastal boat, would it not favour conditions, would it not produce favourable conditions towards the obtaining of that coastal boat?

MR. FERGUSON: In order to answer that I think I should clarify the situation. In our area we have a limited source of supply of skilled men and to add to the volume by the construction of one additional large ship might in itself create very serious problems. The programme such as you outline, provided it could be handled, would

definitely have an effect on the cost of producing coastal ships because it is fundamental that your volume has an effect on your overhead and, therefore, your competitive bidding.

MR. BELL: It would make a noticeable difference in the ability of your yard to more competitively tender on a coastal vessel if youhave such a large ship on order.

MR. FERGUSON: It would make a difference, the extent of which would depend on many factors.

MR. BELL: We make that submission as representatives of the men working in the yard. The reason why I asked the question is to get an operator's viewpoint on it.

MR. FERGUSON: Well, it would have a definite bearing on the whole situation.

THE CHAIRMAN: Thank you, Mr. Ferguson.

We will adjourn now until 2.15 this afternoon.

---At which time the Commission recessed.

AFTERNOON SESSION

---On resuming at 2.15 p.m.

LUNENBURG FOUNDRY & ENGINEERING LTD.

MR. JOHN J. KINLEY, JR.: Gentlemen, I represent the Lunenburg Foundry & Engineering Limited, being the Vice-President and Managing Director. This Company has over sixty years experience manufacturing, installing, and servicing marine equipment for the fishing and coasting trade. Although the business was originally started as a stove foundry the advantages of our tide water location have enabled us to increase our marine activities, so that at the present time our business that arises from the fishing and coasting trade represents the greater part of our work. Naturally, any conditions which would have an effect on the marine industries of the Maritime Provinces are of direct interest to us. It can well be said that our marine activities have grown along with the development of mechanization in fishing and coasting industries in the Maritime Provinces and Newfoundland.

Our first activities consisted of the making of iron and brass castings for the wooden sailing ships, which still were very common in Nova Scotia at the beginning of the century. With the progress of time we supplied power for

sailing ships, to haul anchors and to handle sails and some twenty years ago we installed the first Diesel engine in a Lunenburg fishing vessel. Since that time we have always been in the forefront of the development of mechanization of the fishing industry and have, ourselves, installed main and auxiliary machinery and under-water gear in most of the Lunenburg fishing vessels and many coasting vessels. In the decade from 1940 to 1950 we installed main and auxiliary machinery, under-water gear and electric equipment in seventy-four vessels, which were built in Nova Scotia, for operation in fishing and coasting on the Canadian Atlantic Coast. In more recent years the amount of this work has been somewhat less because of importation of fishing vessels from other countries. Much of this equipment is completely of our own manufacture, while some, such as Marine Diesel engines are of other manufacture, but are installed and serviced by our Company.

Since the Second World War we have had a decided increase in the amount of steel work which we are doing on ships, and our personnel have gained many years experience as welders, riveters, platers etc. In addition to repairs to steel ships we have considerable experience in new construction of steel superstructures on wooden fishing draggers. More recently we have again been in the forefront, being first in the Maritimes in constructing superstructures and

refrigerated holds of aluminum alloy in fishing draggers. Now in keeping abreast with the increasing use of metal in fishing and coasting vessel construction we are engaged in building our first steel ship.

During the First and Second World Wars the products and facilities of our Company were greatly in demand for the war effort. During the First World War it was necessary for our employees to work shifts to meet the demands for our products at home and abroad. The Company had a good export trade on ship's equipment as far away as Greece and in addition to our regular Atlantic Coast trade, we had a wartime market on the west coast of Canada and the West Indies.

During World War II the Company was classed as a shipyard and we carried out one hundred and two refits for the Royal Canadian Navy, in addition to our regular activity of servicing fishing vessels and ships of the Merchant Marine. We, also, did some construction for the British Ministry of War Transport on TNAC tugs and made extensive installations on ships of the Norwegian Whaling fleet, to fit them as escort vessels.

During the war we employed in excess of four hundred and fifty workers and after the war we continued with a smaller working force, retaining most of our skilled employees. We were able to continue because we had a background of other endeavours, such as: our general foundry and

machine work and the manufacture of marine gasoline engines and marine stoves, for which we had a very good market on the Atlantic Coast. In post-war years we have developed a business in warm air heating and ventilation. These activities have been of great assistance in overcoming the slack periods in marine work.

We have, also, been fortunate in obtaining a share of the work allotted on the Atlantic Coast for the refitting and converting of ships of the Royal Canadian Navy. In recent years this work has amounted to about one-quarter of our turnover and as it has been carried on at times when our regular marine work was at a low ebb it has been of valuable assistance in maintaining our facilities and continuity of employment. We are well located for year around operations. This is of distinct advantage for a country such as ours, where it is vital, both from a mercantile and defence point of view to have year around facilities available.

This short resume of our activities show how vital the well being of our coasting and fishing industries is to our own industry. We believe moreover that this tidewater work is natural to the Maritime Provinces and necessary for their industrial prosperity.

Our ship work is mainly on ships of Canadian registry operating from Nova Scotia and Newfoundland in the fishing and coasting trade and

occasionally an American vessel for emergency repairs, which is restricted by the United States Customs.

We, in Nova Scotia, are living in a protected country where, especially in Central Canada, industry has been protected, not altogether to the advantage of the Maritime Provinces. The coastal trade being an integral part of the economy of this country is entitled, to fair conditions, such as are accorded to other industries in Canada. In other words, we should get some of the protection that has produced the high wages and high standards of living in both the United States and Canada. We are told that such matters as wages, insurance and food costs are higher in Canada than in the competing countries of Europe. It seems to us with regard to insurance the rates should be the same. With regard to wages in Canada I think it is fair to say that men who work on the sea are entitled to the same standard of wages as those who work upon shore and I think they are not higher at the present time. With regard to food supplies, the difference is probably because the men are fed better aboard our ships and we think the fear of higher costs of transportation is over emphasized. Those who are in the business from other lands certainly have appraised the situation and undoubtedly their rates are compiled accordingly. The volume of the business has something to do with it and an industry must have the volume of assured business for some stability.

This stability is not accorded the shipping and shipbuilding industries by the Commonwealth Shipping Agreement, nor by the Canada Shipping Act.

The Shipping Agreement is hardly a benefit to Canada at the present time and through the years Canad's marine trade has seriously diminished. Our coastal trade is really a part of our domestic activity and as always will be the cradle of our marine endeavours. Canada is a young country and we think it is fair to say that to protect the cradle is necessary for growth and preservation of Canad'a coastal trade. The coasting trade in Canada has had to face open competition, of not only Great Britain, but under certain conditions, other European countries as well. These countries all have lower standards of living, which has resulted in unfair competition. It appears that in Nova Scotia, being a Maritime Province, our greatest opportunity for commerce and employment lies upon the sea. It has been that way in the past and the Sirois report contains a section on the "Golden Age" in Nova Scotia, which shows an economy that was self-supporting and brought about a degree of abundance. This was largely before Confederation and it deteriorated with the passing of the wooden ships and sail. Lunenburg survived better than other places, in the Maritimes, because of being in the forefront of the fishing industry.

Our neighbours, the Americans, protect their nationals and coasting trade and subsidize their foreign trade and they are the only country that has a higher standard of wages than Canada. Now, with the building of the St. Lawrence Waterway a different aspect faces the whole situation. The "Halifax Chronicle-Herald" of January 22, 1954, says in effect that our coastal waters, because of the co-operation between the United States and our country on this development, should be confined to American and Canadian Merchant Marine and quotes President Eisenhower as favouring the negotiating of a treaty for protection on inland waters concurrently with the Seaway. If such a provision could be extended to include the coastal waters of both countries it would mean that our coastal area would extend from the Gulf of Mexico to the head of Lake Superior. Nova Scotia jutting out into the ocean and Newfoundland are on this route and it may be a great opportunity for the Maritimes to share in the benefits of the St. Lawrence Waterway.

There has been a suggestion from some interests that the trade in the Great Lakes and St. Lawrence be protected and the trade on the coast be open to British and foreign ships. We feel this would be discriminatory and may create more serious problems. We are thinking mainly of the shipbuilding industry in Nova Scotia and the employment of Nova Scotians upon the sea; and of

course, this also stimulates employment on the land.

We feel it would be redundant for us in this brief to quote statistics and detail which we find has been well covered by submissions already presented, especially that by the Canadian Shipbuilding and Ship Repair Association. We think paragraph 14, on page 32, of the Canadian Shipbuilding and Ship Repair Association submission contains a section which is enlightening and shows how Great Britain in other days protected her Merchant Marine and particularly its coasting trade and nurtured its growth until it was able to stand against allcomers.

We can see advantages of having an arrangement with the United States on coastal trade, because of the high standards and common interest. However, as a first step we should take measures to sustain our own coasting trade and as a concern engaged in shipbuilding and repair we support the policy of maintaining Canada's coastal trade for Canadian seamen and ships built in Canada.

MR. MUNDELL: I wonder if I might ask you just a few questions, Mr. Kinley?

MR. KINLEY: Yes.

MR. MUNDELL: In the first place, I take it that your company is a member of the shipbuilding and ship repairing association, are you or not?

MR. KINLEY: We are not a member of the association.

MR. MUNDELL: I take it from your brief that you support their submission, is that correct?

MR. KINLEY: That is correct.

MR. MUNDELL: Now, I would like, if we could have a moment, to get a little more detail on the nature of the operations which you carry on. As I understood you to say, you supply main and auxiliary machinery for ships and then, I think you said, you exported certain materials to other countries, could you give us some idea of the proportions where you do the installations yourself and where you sell the equipment, the proportions of your business that would divide into?

MR. KINLEY: It is very difficult to give percentages, but we do the most of it ourselves. We purchase Diesel engines and manufacture electronic equipment, radar and that sort of thing, we do all the installation ourselves and we manufacture under-water gear, shafting, gun bearings, in some cases propellors up to a certain size, we do the fabrication on a ship, the superstructure, steel, all the installation whatever it may be, all finished work, wood, we instal the big gear whether they be winches, hoists of any sort, some of it we manufacture ourselves, some of the larger size we import or, I should say, are imported by the ship owners and we install. We supply practically all of the castings, cast iron castings and the non-ferrous castings

used for any under-water gear or deck fittings on the ships.

MR. MUNDELL: Perhaps I can make my inquiry clearer by indicating the point I had in mind; I was wondering whether in advocating protection of this kind you might not be causing yourself a price problem both in purchasing and selling if the protection should lead to increased costs. I was wondering how much you purchase and how much you sell, is that an important aspect to your business?

MR. KINLEY: Well, it is an important aspect but I do not get your point.

MR. MUNDELL: I can understand that. If, for instance, you obtain the protection which you request, the Commission has been told that that will result in increased transportation costs. If that is so, and you buy materials that are transported here or you send out exports which are transported elsewhere, would that not increase your own costs?

MR. KINLEY: I do not know how anything we presented in this brief would increase transportation costs on our equipment, either from foreign countries or by rail in Canada.

MR. MUNDELL: It would not increase your own costs, none of it would come down by coasting trade?

MR. KINLEY: I would not say none, but I cannot think of any appreciable amount that is.

MR. MUNDELL: Supposing the coasting trade competition with railways was less keen or the rail rates might go up, that is a possibility, I suppose, is it?

MR. KINLEY: Well, I would not like to comment on anything like that, I do not know rail rates. It is a mystery to me how they are compiled, so I would not want to comment on it.

THE CHAIRMAN: The statement you read will be Exhibit No. 34.

---EXHIBIT NO. 34: Brief submitted by Lunenburg Foundry & Engineering Limited.

MR. MUNDELL: The next point I was wondering about that I could ask you about is this, in the hearings in Ottawa the Ship Repairing Association and the Dominion Marine Association put forward their case for protection partly on the fact that until now the shipbuilders in the Great Lakes area have been protected by the natural barrier in the St. Lawrence River. Now, you have not had that protection, and they say once they lose that protection they will go out of business, but you have not had that protection and are still in business and I was wondering why you now feel that you need the protection.

MR. KINLEY: We do not feel we have ever gotten our share and we won't get it unless it is restricted. We are competing, as I say in the brief, against competition in the Maritimes

and it is competition in our industries, it is a competition of lower standard countries. Well, we buy the equipment from Ontario and the United States which is manufactured in the protected countries, which makes it more difficult.

MR. MUNDELL: Do you feel that your business is in danger of declining without the protection?

MR. KINLEY: Certain parts of it have declined in recent years due to the import of ships to be used in the fishing industry.

MR. MUNDELL: Where would the ships be imported from?

MR. KINLEY: Great Britain as far as I know, and, in certain cases, from the United States.

MR. MUNDELL: I think you also mentioned in your presentation something about -- I am sorry, that was about other European countries engaging in coasting trade. In addition to the United Kingdom, what other countries have been engaging in the coasting trade or do you recall any instances?

THE CHAIRMAN: Before you turn to that, the purchase of fishing vessels in the United Kingdom or foreign countries is not within the scope of this Commission's reference at all, that is not coasting trade.

MR. MUNDELL: Fishing vessels?

THE CHAIRMAN: Yes, that is not coasting trade, we would not have any power to make any recommendation as to that.

MR. MUNDELL: You would also include

in your statement as to purchases, have there been coasting trade vessels purchased or have they just been fishing vessels?

MR. KINLEY: I would not say they have not been coasting vessels. We are primarily concerned with some fishing vessels that we know have been purchased. You ask about foreign ships. Under the regulations, the Governor in Council may at any time if in his opinion there are no ships available, he may permit foreign ships to carry on in our coastal waters.

MR. MUNDELL: But by definition that would hardly be a competitive situation.

MR. KINLEY: Well, it is within the realm of argument, we know there are Canadian ships on this coast, whether they are available or not may be a matter of opinion.

MR. MUNDELL: I see. Then, really in answer to my original inquiry, the reason you were seeking protection is that your business has declined to some extent and, in any event, you feel you are entitled to protection just like any one else?

MR. KINLEY: That is correct, it has definitely declined.

MR. MUNDELL: In what line would it have declined?

MR. KINLEY: The building, the construction of new ship equipment has declined.

MR. MUNDELL: Do you carry on repairing and

construction?

MR. KINLEY: That is correct.

MR. MUNDELL: What proportion of your business would be repairing and what would be the proportion of building? I do not think we need an exact percentage.

MR. KINLEY: About 25%, about one-quarter has been in the last few years has been naval repairs for the Royal Canadian Navy; about another, I would say almost one-third, has been marine repairs and construction, but it is difficult to say what comparison, what percent, I would say about one-third -- of that one-third over one-half was repairs and another half was new construction. In previous years we had more new construction than we have had in the last five years.

MR. MUNDELL: I think we had a little bit of a fraction left over, I was wondering what that was?

MR. KINLEY: Well, I said we had a general business, machine shop work and warm air heating and ventilation, and we do have a factory and some of that work has nothing to do with marine work, that has been our saving feature, the fact that when the marine work went flat as it has many times we had something else to return to.

MR. MUNDELL: And the part that has declined in your business then is the con-

struction?

MR. KINLEY: The actual marine work is declining.

MR. MUNDELL: Would that include the repairs, are they going down?

MR. KINLEY: No, the repairs are not going down.

MR. MUNDELL: Just the construction?

MR. KINLEY: Yes, the construction has gone down, and if that continues the repairs will go down.

MR. MUNDELL: You mentioned you were building a steel ship and that is a new feature?

MR. KINLEY: Yes, previously we worked with wooden shipyards, they built wooden hulls and we did the steel work, but there are very few of them over 100 feet now being built in Nova Scotia, and it seems you have to work on steel to be in the industry at all.

MR. MUNDELL: What type of vessel are you constructing?

MR. KINLEY: It is 66 feet.

MR. MUNDELL: What would it be?

MR. KINLEY: It is a general purpose boat, they call it a tug, general purpose boat is the description that suits it better than anything else.

MR. MUNDELL: Now, one of the things the Commission has to inquire into is the possibility of different policies in different regions, and

the suggestion has been put forward by Dominion Marine Association that the Great Lakes coasting trade be protected but that no protection be given east of the western end of Anticosti. You are opposed to that, I take it?

THE CHAIRMAN: That is not stated quite accurately, is it? The only change they are proposing is a change in the Great Lakes area, they make no proposal in reference to the Atlantic Coast area.

MR. MUNDELL: That would leave the U.K. shipping still able to come in here. You have dealt with that point in your submission where you say:

"We feel this would be discriminatory

"and may create more serious problems."

Supposing the Commission came to the conclusion that no change was necessary or desirable in the Great Lakes region, would you say that the change should be, that the principle should be applied, say, east of the line ---

MR. KINLEY: Would you repeat that question, please?

MR. MUNDELL: Supposing the Commission came to the conclusion that no change was desirable in Great Lakes coasting trade, leaving that open to the United Kingdom ships as at present, would you still have need for protection on the coast?

MR. KINLEY: We advocate it to be closed all over Canada.

MR. MUNDELL: Have you studied the problems of Newfoundland in relation to your proposals?

MR. KINLEY: Yes, we have, it may be that Newfoundland being an island has certain problems which we in Nova Scotia and the other Maritime Provinces do not have.

MR. MUNDELL: Would you contemplate the possibility of a different policy in relation to the Newfoundland-Mainland coasting trade?

MR. KINLEY: We admit that there may be some argument that they would have to have special treatment in Newfoundland.

MR. MUNDELL: Thank you very much, that is all I have to ask.

THE CHAIRMAN: Mr. Kinley, I was concerned only with one sentence of your brief:

". . . we think the fear of higher costs "of transportation is over-emphasized."

Now, upon what basis do you put that belief?

MR. KINLEY: Well, sir, we believe that the foreign ships, or I should say the British ships that are operating here, know full well our situation, they know that there is a lack of competition and they charge accordingly. Their rates may not be as low as some people would like to have us believe. We know there are Canadian ship firms operating here in Nova Scotia and if they had this background of assured business they could build up a volume which would be sufficient.

THE CHAIRMAN: There is the argument of volume, I can understand that, but as to your other argument, is it not also true, you say that many ships charge accordingly, well, any one will charge what the market will bear, but is it not the fact that the amount the British ships have charged has on several occasions reduced the rates of Canadian carriers?

MR. KINLEY: It may be true.

THE CHAIRMAN: So that there was, as a result of the British intervention in the trade, a cheaper transportation resulting?

MR. KINLEY: We understand that, sir, but we also contend that in Canada there are industries, for instance, the automobile industry which charges more than the American automobile industry, yet we protect the Canadian automobile industry.

THE CHAIRMAN: I refuse to get into debates as to the effects of protection, just because some one else gets protection. You see, when a person manufactures an automobile and some one buys it, they are using it for themselves, but transportation is part of any industry and, therefore, has a much broader effect. Now, in addition, this has been said particularly of Newfoundland industries but it has also been said of other industries right in this Province, that the margin of profit is slight, their competition from other points may be closer to their markets, particularly Pennsylvania and Ohio is very severe and that

therefore transportation costs are very important to them. Now, under those circumstances a course which might and which probably would increase the cost of transportation would be very detrimental to those industries and to this Province. What do you say as to that argument?

MR. KINLEY: Well, we contend that this is very important to us.

THE CHAIRMAN: Well, how important is it to you, because you have now about one-third of your business repairs and construction and of that, one-half or one-sixth of the total business is in new construction. Now, you are being affected in one-sixth of your business according to your statement?

MR. KINLEY: You must remember we have already been cut in half in our working force.

THE CHAIRMAN: Well, does this represent the 1955 situation?

MR. KINLEY: Yes.

THE CHAIRMAN: Well, was the 1950 situation different, was there a larger percentage of your business in new construction?

MR. KINLEY: There was.

THE CHAIRMAN: How much was it at that time?

MR. KINLEY: I remember in 1950 we had -- they are -- fishing draggers under construction at our wharf ---

THE CHAIRMAN: You were speaking of fishing draggers and as I pointed out to Mr. Mundell, our

terms of reference do not deal with the construction of fishing vessels at all, so that any proposition to limit the use of fishing vessels to Canadian owned or Canadian registered vessels, speaking for myself, I simply do not know the situation there because it is not within my terms of reference, I have not done any work on it, so as far as your construction of fishing vessels is concerned, they are not affected in any way, either for or against the proposals which have been made to this Commission. If you are making a proposal that fishing vessels should be limited to those of Canadian construction, I suggest it has to be made to the Government direct and not through this Commission.

MR. MUNDELL: I think, sir, there is then, if I understand my friend's submission, that his business, his shipbuilding business is declining and we had included these other things that are going downhill, he would get protection on the coasting trade proposals, he has lessened business generally.

MR. KINLEY: They have asked about coasting vessels and I have here a list of coasting vessels on which we did do original construction in the decade from 1940 to 1950, but we have no such coasting vessels now.

MR. MUNDELL: Well, you have one, you are working on it right now, are you not, the 66 foot steel vessel, you did not say it was a fishing

vessel?

MR. KINLEY: It is not a coasting vessel.

MR. MUNDELL: What is it?

MR. KINLEY: That is a Government vessel, I mentioned in the brief we had been fortunate in getting some of that work.

MR. MUNDELL: I did not understand you before to say that was a Government vessel. So, at the present time and for some time you have done no work on coastal vessels at all?

MR. KINLEY: Oh, yes, we have done repairs.

MR. MUNDELL: I mean, no new construction?

MR. KINLEY: That is right.

MR. MUNDELL: Now, if vessels which engaged in the Canadian trade, no matter what their registry, were required to do their repair work in Canadian areas or pay a duty if done elsewhere, would not that in a very material vein assist your industry and other industries like Ferguson's whom we heard this morning?

MR. KINLEY: It would assist in some measure but I do not think it would do as well.

MR. MUNDELL: Of course, there is nothing like perfection, I mean, if you were able to put through that you could have no other vessels built, it would be in a better position if all the yards in Canada were blocked up.

MR. KINLEY: We are not asking that.

MR. MUNDELL: I am asking you to compare the situations; at present there is only one-sixth

of your work in new construction and you have one-third in marine repairs. Now, if your marine repair business was built up as a result of a regulation which would confine coastal vessels to Canadian repairs, would that not keep your yard busy so that you would not be particularly concerned with the loss of opportunity to do new construction on coasting vessels which you have not had for years?

MR. KINLEY: I do not think it would, sir.

MR. MUNDELL: All right, thank you very much.

COMMISSIONER WICKWIRE: Mr. Kinley, have you any idea of the percentage of the trade in eastern waters that is carried on by Canadians?

MR. KINLEY: Not that I would quote here. I have read some mention made of that in the ship building and ship repairing brief.

COMMISSIONER WICKWIRE: Was the figure somewhere in the neighbourhood of 86%?

MR. KINLEY: I would like to recall the figure, I do not remember it.

COMMISSIONER WICKWIRE: Well, I think the figure suggested was 86% and I am just wondering what you say to this, that if 86% of the trade is presently carried on by Canadians, why do they need protection?

MR. KINLEY: The type of trade in which we engage on the south shore of Nova Scotia and the type of work we have done on the smaller boats

has not gotten us into that trade, we work on smaller boats, largely wooden boats, that have been in the past Diesel equipped, up to 150 feet.

COMMISSIONER WICKWIRE: And mostly fishing boats, have they not been?

MR. KINLEY: At the present time, yes, but some years I think we have done more work on small coasting vessels than on fishing boats, and although the tonnage is small of these vessels and may not represent a large amount of that percentage, it represents a large amount of our business.

COMMISSIONER WICKWIRE: Thank you.

THE CHAIRMAN: These boats then that you work on, 100 to 120 feet vessels equipped with Diesel motors, are there any United Kingdom boats in the trade, are there any boats as small as that brought from the United Kingdom?

MR. KINLEY: I do not think there are, there may be a few.

MR. MUNDELL: May I ask one or two questions? You mentioned your business was, you feel, declining on the building side of it, could that be caused because it was largely wooden ships you were constructing and they are not in as much demand?

MR. KINLEY: I did not say I felt it was declining, but we know it is declining, our auditors have told us exactly how much it is declining, but I have not the figures to quote here. However, there is an element that the wooden ships may be going out of date, that is why we

are trying to make this step into steel ships, smaller ones to begin with, but in doing so we will be cut off from the larger ships which can be English built and come in here and operate. Under a certain size we do not have the same kind of competition, when that goes you have the best part of the year.

MR. MUNDELL: One other question, if I may, you are concerned fundamentally with the problem of building ships and foreign competition in building them, I take it. Would a subsidy, a construction subsidy which would equalize your costs with foreign costs, do you think that might be all that is required to meet your problem?

MR. KINLEY: Something like that would perhaps help.

MR. MUNDELL: You do not think it would meet it entirely?

MR. KINLEY: I do not know that it would be wise to depend on it entirely.

MR. MUNDELL: I mean, you are advocating restriction of the coasting trade to Canadian built and registered vessels. Now, I suggest to you your problem is really one of shipbuilding, you are not concerned about operation?

MR. KINLEY: No, it has more to do with the employment of Nova Scotians in shipbuilding and of the seamen on the ships and repairs.

MR. MUNDELL: I was really thinking of your own business.

MR. KINLEY: The shipbuilding is the smallest part of our work at the present time, but we are hoping it increases in the future, but it will be very difficult to do anything under the present arrangement.

MR. MUNDELL: You do not think a subsidy would be sufficient to meet that problem?

MR. KINLEY: Well, a subsidy is always a help to the one who gets it, but whether it is a wise long-term policy, we are advociating this restriction as a long-term policy.

MR. MUNDELL: Thank you.

THE CHAIRMAN: Senator Kinley, you have some remarks?

SENATOR J.J. KINLEY: Yes, Mr. Chairman. Gentlemen of the Commission, I am a director of the company and we have given our impression of this situation. I would like to draw to the attention of the Commission one or two things that have troubled me in regard to certain things in our shipping trade. The British Commonwealth merchant shipping agreement was passed concurrently with the Statute of Westminster which was our emancipation. Now, as a good free trader there was one article which disturbed me, I know what the others mean, equal privileges as between the Commonwealth, but Article 27, paragraph 10, says:

"This agreement shall apply to all
"territories administered under the
"authority of government of any part

"of the Commonwealth and to ships
"registered there or any foreign
"port of registry."

Following that requirement as to ownership is set out in Article 1. Now, that has always given me some concern. I have discussed that with eminent counsel and it seems to be really the last paragraph, it is the last paragraph of the agreement, whether it was an afterthought or whether it was put there to extend the agreement, I am not sure. Anyway, there it is.

Now, there is another part of our coasting Act which concerns me, and paragraph 13, Coasting Trade in Canada, 673, in that section which restricts movement to Canadian ships, it says this:

"The Governor in Council may, from time
"to time, by Order-in-Council declare
"that the foregoing provisions of this
"Part shall not for the period specified
"in such Order-in-Council, apply, either
"throughout Canada or in any specified
"waters of Canada, to the ships or
"vessels or to any specified, ascertained,
"or ascertainable class or number of
"ships or vessels, of any foreign
"country."

Now, for a long-range policy for the purpose of developing the merchant marine in Canada, it seems to me it is rather unstable, it gives power to the Governor in Council to disband the coastal laws of this country. I hesitate to say too much before this Commission because, as a legislator, of course, I will be expected to read and study what you bring forward, and I want to be as free as possible to give my best judgment and for that reason I do not intend to go into this very deeply. However, I was a little surprised this morning -- interested, at least -- on reading the presentation of the Dominion Coal and Steel Company -- you will notice that brief is not presented by "Disco" but by "Dosco", and then I come to the Canadian Shipbuilding and Ship Repairing Association brief, and I find that the Halifax shipyards are supporters of the brief of that Association which asks for restrictions. I think it is fair to say that it is very closely connected with the British Empire Steel Corporation. Now, the Dominion Coal Company said that we must have foreign ships to market our goods in Canada. I agree maybe with the coal company in Canada it is a very difficult position, but to limit the difficulties to transportation seems to me to be almost the last straw because they would have been well helped on transportation. The person who presented the brief for the Coal Association said it would cost them $2 million more a year to

market their coal in one of their markets, I presume they mean the Canadian market up the St. Lawrence, if they were restricted to Canadian ships. Well, we have been using foreign ships since 1942 and before that time, and I see in the Press that they got over $20 million last year for the purpose of carrying coal to Central Canada, and if they are going to lose $2 million more, perhaps they should go for another $2 million to get the coal through. I do not think they can be on the side of the restrictions in the Halifax shipyards and then the coal company, which is a subsidiary of the steel company, say that they must have protection in Canada.

A lot has been said as to the percentage of trade carried by Canadians, I think it was said 80% was carried by Canadians, does that include the Great Lakes? If it includes the Great Lakes, there is nothing left very much.

MR. MUNDELL: I think the figures that were furnished were for the over-all coasting trade, 5% was Canada, for the Atlantic province region I think the figure was 14%.

SENATOR KINLEY: The only place we have a real coasting trade in Canada is in the Great Lakes, they have been land-locked for that protection, and if that protection is removed then, of course, they will ask for some redress. The question was asked whether that should be stopped with the inland waters. Well, you can

consider a lot about that, but to my mind Canada should be one nation. I do not think we can have an economy for some of us, cannot accept the advantages of Confederation with none of the disadvantages.

With regard to Newfoundland there is a problem there, it is a jumping-off place for Canada and they have a problem, but it seems to me a problem that could be solved and it would not hurt the rest of Canada.

Now, there is nothing more I want to say, this buying of fishing vessels in other countries, I am not concerned about that, they buy second-hand vessels and, of course, you cannot buy a second-hand automobile, you cannot import that into Canada, but I am not concerned about that, a second-hand vessel we get a chance to repair. However, it seems to me it is a second-hand vessel, it is a vessel bought on the bargain market, and for that reason it may not be fair to the shipbuilding industry of Canada. I have friends who have bought vessels in other countries and they have been very kind to me, they have come to us for repairs and we appreciate that, and I do not think it would act so much to our detriment. After all, the merchant marine must face the world, every other industry is protected, we have a high standard of living, perhaps the best in the world next to the United States, perhaps better in some ways, and why we should be the

Cinderella of the industries of Canada is hardly fair. Some people say this will not do any good; if it does not, then a lot of people in the world are wrong. England was wrong when she protected her trade until she got to the place where she could stand on her own feet. We must protect it, it gives Nova Scotians work upon the sea, and I do not know of anything better for Nova Scotians to do than to prevail before the sea, they did before Confederation in this country.

Something was said about the cost of transportation. Well, they say competition between railroads and merchant shipping, why, our steamships are interlocked with the railroads and I do not think that is a good thing when the existence of the two are at stake. I do not think it is fair it should be judged by an interlocked directorate, if you can get the business, it is the volume, I have to do so much business to pay my way, if I get above that I am in good condition, and if Canadians could go into this without being interfered with, it seems to me they would go into it with some assurance, and in time they would have the business and they would be in a position to compete. I have every reason to believe that when you people get through with it you will have appraised the situation and it will be of some good if for no other reason than that we will realize how important it is to work together in order to succeed. Industry should see to it that inflated

values do not get into their capital system, labour should be reasonable in their rates and all work together. We generally find when we pull together we can do something, and I think it would be splendid for the Province of Nova Scotia.

THE CHAIRMAN: Thank you, Senator. We will recess now for ten minutes.

---Intermission.

ZWICKER & COMPANY, LIMITED

THE CHAIRMAN: Yes, Mr. Zwicker?

MR. F. HOMER ZWICKER: Mr. Chairman, gentlemen, I submitted a brief on behalf of our company which is purely personal views and observations, except that part of it that refers to fishing craft which operate fishing for six months of the year and perhaps we wanted to operate as coasting vessels for the other six months of the year. There are difficulties that arise therefrom from government restrictions, both the Canadian Steamship Act and the Steamboat. You also have a brief from the Fisheries Council of Canada much along the same lines, and Mr. Ritcey is here representing the Nova Scotia interests of the Fisheries Council of Canada, that is a fish packers' association and the Canadian Atlantic Salt Fish Exporters and also associated with me is Captain Himmelman who operates a small coasting boat out of LaHave and Lunenburg.

These boats are under 500 tons, which I also referred to and I think Captain Himmelman has one or two instances of what we consider injustice in not being able to build up his fleet of small coasting boats which would help us in the fishing industry in both getting some of our fish to market, that is, in the Caribbean area, and also bringing salt back from the British West Indies. It is getting increasingly difficult to get boats to carry the salt, and as far as putting what is left of our fishing fleet in coasting in the winter months, it is getting increasingly difficult to do on account of restrictions of a legislative nature.

I think that is about all I have to say. My brief is in and if anybody wishes to ask me any questions along the lines of my brief I will try to make it more clear. As I said before, the Fisheries Council brief that was put in is much along the same lines and Captain Himmelman would like to say a word or two about his problems in the local coasting.

MR. GERIN-LAJOIE: Mr. Zwicker, if I may by way of clarification put a few questions to you I would appreciate having your answers. Now, I see from the brief you filed that you are engaged both in ownership and operation of ships. Does this mean that you operate ships which you charter or hire as well as ships you own yourself?

MR. ZWICKER: We have been in that kind of business at times, we are not at the moment,

just fishing vessels that we like to send coasting in winter months, our own boats, but we do charter other boats on occasion.

MR. GERIN-LAJOIE: Could you tell the Commission approximately how many boats you have at present?

MR. ZWICKER: It is an awful admission to have to make, but we are down to three.

MR. GERIN-LAJOIE: Were those ships built in Canada or overseas?

MR. ZWICKER: Oh, yes, they were built right in Lunenburg, wooden fishing schooners.

MR. GERIN-LAJOIE: And do I take it these ships are registered in Canada?

MR. ZWICKER: Oh, yes.

MR. GERIN-LAJOIE: Now, I wonder why you come to the conclusion in your particular case that they should not be put in protection for shipbuilding in Canada, would that affect you in any way, affect your company?

MR. ZWICKER: Well, I would answer that this way, we make all our living outside of Canada, we sell all our product outside of Canada, therefore, we would like to be free to buy in the cheapest market. If it were, say, a coasting boat that we would want to buy in some foreign place we would like to buy it without any restriction. Incidentally, I am an out-and-out free trader.

MR. GERIN-LAJOIE: If you do all your business outside of Canada is there any purpose

in having your ships registered in Canada?

MR. ZWICKER: Fishing craft men all insist they be registered in Canada, otherwise we would have to pay duty on the fish they brought in.

MR. GERIN-LAJOIE: Now, do you mean you sell all your fish outside of Canada or do you sell part of it in Canada?

MR. ZWICKER: We sell all our fish outside of Canada except a few fish in our own store which might be 300 or 400 pounds a year, practically nothing.

MR. GERIN-LAJOIE: In the winter months, is this the period when you engage in coasting trade?

MR. ZWICKER: We would like to but it is too difficult to get into with these fishing craft.

MR. GERIN-LAJOIE: You mean the ships are not suitable?

MR. ZWICKER: No, the ships are suitable but we cannot operate without a certified master but that same master will go out all around the North Atlantic, he is capable of doing that, but he is not capable of even going as far as Newfoundland with that ship as a coaster. I object to that regulation.

MR. GERIN-LAJOIE: Well, do you propose any change in the present legislation in this respect or do you just request that Canada maintain the status quo?

MR. ZWICKER: No, we would like to see a change in that legislation, that our boats with our kind of fishing skippers should be able to go

anywhere as well as on the Banks fishing.

MR. GERIN-LAJOIE: Do I understand you to say you are not at present engaged in coasting trade?

MR. ZWICKER: That is right, at the moment we are not.

MR. GERIN-LAJOIE: And have you been engaged in the past inany coasting trade or not?

MR. ZWICKER: Oh, very much so, we used to be very large operators.

MR. GERIN-LAJOIE: Until what time?

MR. ZWICKER: Until the large wooden ships went out, which was about 1928 to 1930, around that time, and they had to go, it was not economical any more, the world was changing to steam and Diesel.

MR. GERIN-LAJOIE: Do you have any idea of what type of coasting trade you could engage in, your ships would be suitable for?

MR. ZWICKER: Oh, carry lumber, carry fish to our own markets, bringing salt back from the West Indies or charter out to other people.

MR. GERIN-LAJOIE: And during what months of the year would that be?

MR. ZWICKER: Oh, that would be in the winter months with the fishing vessels. We might buy boats to go into the coasting trade if we could buy them in the world markets.

MR. GERIN-LAJOIE: If you were to engage in the coasting trade of Canada, I suppose you could not say any more than you have just said, that you do all your business outside of Canada,

that would not be the coast any longer.

MR. ZWICKER: Thatis the fish business. You understand we are in the production of processing of salt fish, and at times we have been in the coasting trade. At the moment we are not, except sometimes we do switch our vessels to that in the winter months.

MR. GERIN-LAJOIE: I understand that, too, if you were engaged in the coasting trade, as you say, at that time you would be engaged in business within Canada.

MR. ZWICKER: Not necessarily, we might for instance go to Newfoundland for fish or bring fish back from Newfoundland or salt from the West Indies or we might charter the boats to other people.

MR. GERIN-LAJOIE: So that would be either coasting trade or international trade?

MR. ZWICKER: Yes, part of it would be international, anybody that operates on this coast, a good many that operate on this coast are international probably more than they are national.

MR. GERIN-LAJOIE: Now, if by that time, when you would be engaged in the coasting trade, do you think there would be any justification for restricting coasting trade to Canadian registered ships?

MR. ZWICKER: I would not want to see it.

MR. GERIN-LAJOIE: What would you say to the argument of some groups, particularly the Trade Union groups, who say that ships who benefit

from trade in Canada should give part of that benefit to the Canadian people or engage Canadian crews and being all the way subject to the Canadian way of business, wages and so forth, would you have a reply to give to this argument?

MR. ZWICKER: To give you my opinion generally, of course, as far as my own company is concerned we always engage Canadian crews, but for those that are in a position to engage foreign crews, I think they should be free to do this because, after all, international trade is highly competitive and a ship owner should be able to pick up his crews at the cheapest possible rate if he is to compete with those ships owned in foreign countries.

MR. GERIN-LAJOIE: Of course, at present I am particularly concerned with coasting trade, and if such trade was restricted to Canadian registered vessels the competition would be on the same footing for every one.

MR. ZWICKER: I think most Canadian owned ships would be manned by Canadian crews of necessity, I do not think we can get any other crew.

MR. GERIN-LAJOIE: But at present you have some Commonwealth ships engaged in the coasting trade of Canada. If these ships were barred from the coasting trade of Canada, all ships engaged in the coasting trade would be on the same footing and there would not be any, what we might call unfair competition, in a sense,

of course, so in that case would you have any objection to such a new regulation restricing Canadian coasting trade to Canadian registered vessels?

MR. ZWICKER: Oh, definitely, I personally would, I think that would be one of the worst things that could happen.

MR. GERIN-LAJOIE: I just wondered if, apart from your own personal interest and the interest of companies engaged in the same business as you, would you have an answer to give, let us say, to the Trade Labour Unions or groups who say that Canadian labour should be engaged? Of course, you have mentioned your own company does engage Canadian labour, that is right?

MR. ZWICKER: That is right, we have none other to get.

MR. GERIN-LAJOIE: Well, what would you say to the Trade Unions who say that it should be compulsory for all ships engaged in the coasting trade of Canada --- ?

MR. ZWICKER: Well, I would contend you are creating a monopoly, giving a group a monopoly.

MR. GERIN-LAJOIE: Well, what group do you have in mind, Canadian labour?

MR. ZWICKER: Well, you mean labour or labour union?

MR. GERIN-LAJOIE: No, Canadian labour generally, representations have been made by labour unions but they refer to Canadian labour

generally and say that only Canadian labour should be used in the coasting trade of Canada, so I am wondering if you have any reply to give to such an argument?

MR. ZWICKER: Could you clarify that? To Canadian ships?

MR. GERIN-LAJOIE: To all ships engaged in the coasting trade of Canada.

MR. ZWICKER: That would mean a British ship coming over here would have to send her crew home and take on Canadians.

MR. GERIN-LAJOIE: Actually the idea is to restrict the trade to Canadian registered vessels, that is what the groups have in mind, that is the main purpose of doing that, to oblige the shipping companies to engage Canadian labour. I wonder if you have any reply to this argument or not? I am just trying to bring the conflicting interests, one against the other, and try to reconcile them if it is at all possible.

MR. ZWICKER: Ithink it would be uneconomically sound to do so. If shipping is not competitive we are sounding the death knell of our country, we must move our goods and we do not want monopolies and restrictions of any kind. That is only mentioned, it does not affect me in a business way in any way.

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Zwicker.

COMMISSIONER WICKWIRE: You mentioned the difficulties arising from restrictions contained in the Canada Shipping Act and I think you mentioned to Mr. Gerin-Lajoie one of them, that is, that a fishing skipper should be allowed to go coasting. Are there any others?

MR. ZWICKER: Pardon?

COMMISSIONER WICKWIRE: Are there any other restrictions you had in mind or is that the main one?

MR. ZWICKER: Yes, there is the Canada Steamboat inspection which Mr. Ritcey or Captain Himmelman can deal with in a clearer way than I can.

COMMISSIONER WICKWIRE: That is fine.

CAPTAIN E.H. HIMMELMAN: Gentlemen, we operate some small wooden boats, the largest is about 250 tons. These last two years we have developed a trade between Canada and Central America and with that trade we now find we should have a larger boat and a wooden boat we find is not suitable to have any larger than 250 tons, because if you build any larger than that you have trouble keeping it in shape, a wooden body goes out of shape and gets too large. Last winter, in January, I went over to England to see if I could purchase a boat, having in mind that they only register boats in Canada from other countries less than five years old, but sometimes they have made

exceptions to it. In this case, after spending two weeks there, I could not find any that was built within the last five years so I bought a boat that was built in 1936 and came home and applied to Ottawa to have her registered. After dickering for six weeks finally they came back and said they would not register her in Canada because they said she was too old. My contention is if we want to keep our small ships going in this country we have to go out and purchase new boats. While I was over in England I asked the shipyards there to build a new boat and they could not build me any to have it ready in 1955. After I came home I wrote to five shipyards in Canada and asked them to give me quotations for building a boat; one of them answered me and the other four did not answer, so I do not think our Canadian shipyards are very anxious to build boats. I think it should be that we should be able to go out of the country and buy a boat wherever we like. I might say in England, anybody who lives in England can go to any country and buy a boat and there is no duty on it, but here when we buy a boat out of the British Commonwealth we have to pay duty on it. That is all I have to say.

MR. GERIN-LAJOIE: Captain, I have one or two questions, could you tell the Commission for what reasons you wish to be free to buy your ships anywhere, is it on account of cost or on account of the non-availability of ships in Canada or some other reason?

CAPTAIN HIMMELMAN: There is no available ship in Canada of the kind I wanted, that is, none to be bought secondhand.

MR. GERIN-LAJOIE: And do you have any other reason or is that the only reason?

CAPTAIN HIMMELMAN: That was the only reason, I tried in Canada to buy one and could not get any suitable so I went to England and there was the only place I could find one suitable.

MR. GERIN-LAJOIE: But would you not consider that this situation might change and if we were to restrict coasting trade in Canada to Canadian built vessels that might give a large development to Canadian shipbuilders?

CAPTAIN HIMMELMAN: Well, my opinion is that England had a protection on at one time and saw where they were doing wrong, so now they are opened up, and I am just going by what they are doing.

MR. GERIN-LAJOIE: Thank you.

THE CHAIRMAN: You say, Captain Himmelman, you wrote to five Canadian shipyards asking for quotations and you got a reply one from one?

CAPTAIN HIMMELMAN: I am a little hard of hearing, but I think I understand you to say I wrote to five shipyards and only got a reply from one?

THE CHAIRMAN: Yes?

CAPTAIN HIMMELMAN: That is right.

THE CHAIRMAN: How did the prices compare?

CAPTAIN HIMMELMAN: Those prices were about

40% over the English.

THE CHAIRMAN: That was about 40% higher than the English shipbuilder had he been able to build in time?

CAPTAIN HIMMELMAN: Yes.

THE CHAIRMAN: Well, have you anything to say as to these restrictions under the Canada Shipping Act to which Mr. Zwicker referred, have you any comment there?

CAPTAIN HIMMELMAN: The only one that I can comment on would be the master of the fishing vessels, they can sail about all over the Atlantic anywhere to the fishing grounds but they are restricted from going to the coast, they have to have a certified master's paper.

THE CHAIRMAN: The masters on your fishing vessels have not their papers?

CAPTAIN HIMMELMAN: No, they have no certification.

THE CHAIRMAN: Well, that is not a new regulation, is it?

CAPTAIN HIMMELMAN: I think that regulation came in within the last five years.

THE CHAIRMAN: Here in Nova Scotia?

CAPTAIN HIMMELMAN: I know they used to be sail them, it has come in recently anyway.

THE CHAIRMAN: What is the reason for that, inasmuch as any of us can hazard a conjecture as to what government policy is?

CAPTAIN HIMMELMAN: I do not know.

THE CHAIRMAN: Surely it must be that the certificates are evidence of qualification, is there any reason why your captains cannot get papers if they prove their competence? In your opinion, do you not think they could prove it to an examiner?

CAPTAIN HIMMELMAN: Well, there are lots of these men, speaking from my own experience, a lot of these men who quit school in the fourth or fifth grade and they are our best fishing schooner captains and when they go for an examination they cannot do it, and yet as fishing skippers they are pretty hard to beat.

THE CHAIRMAN: The same situation arose in Newfoundland when they came into Canada in 1949 and there it was adjusted by some type of temporary certificate on a year-to-year basis. There will not be any of the new generation who will suffer under that handicap because they all have compulsory schooling?

CAPTAIN HIMMELMAN: Yes, that is right.

THE CHAIRMAN: It is only among the older men so that problem will correct itself as you go along?

CAPTAIN HIMMELMAN: Yes.

THE CHAIRMAN: Thank you.

MR. W.R. RITCEY: Mr. Chairman, I am appearing on behalf of the Canadian Atlantic Fishing Association and we would like to go on record as supporting the brief as submitted by

the Fisheries Council of Canada. In the brief the Fisheries Council has covered about every angle that we would care to touch upon. I might say in regard to those fishing vessels that Mr. Zwicker has spoken of, this fleet really only consists of about 25 or 30 vessels, I would say, altogether in Eastern Canada and those vessels are producing fish in the summer time for salt fish trade, but in the fall of the year the reason they do not continue fishing is because we cannot get the crews to fish. Therefore, the only choice we have is to tie that vessel up and leave it for the winter or put it out freighting. We in our own firm -- just for reference purposes -- we have also only four of these schooners but it means a lot to our company, these vessels represent investments of approximately $150,000, and it means we have to leave that equipment lie idle for three or four months unless we can put it in the coastal trade. We also have a ready business for them.

THE CHAIRMAN: Why do you not get crews in the winter?

MR. RITCEY: Fishermen just do not go dory fishing in the winter any more. We have a use for these vessels in our general business if we could go out and use it in carrying fish from Newfoundland to our own plants to be processed because to-day we are not producing the same quantities of fish we used to produce, and we have to buy in Newfoundland and transport them

and it is only small boats of this size that are suitable for transporting fish from Newfoundland to Nova Scotia. The restriction that bothers us most is the certified masters, we have to have a certified master to enter and clear that boat because she is going trading, we have to have a load line-up on the schooner and have certified engineers. I think probably our heaviest problem is the master and engineer, the master that has a ticket to-day will not go down and operate in one of the small vessels. He says, "Why should I, the job is not secure, it is only a part-time job". Our skippers and engineers that operate these schooners during the summer months or during the fishing season are operating pretty well all on the coast of Newfoundland and they are quite familiar with that coast and, therefore, we cannot see any reason why regulations could not be eased a bit to allow us to use our present masters. We say it would not be necessary to use them in the foreign freight if we could use them to trade between port and port in Canada, that would be a great relief to us. We have quite a problem in the industry in getting salt freighted from the West Indies, it is being carried as a distress cargo and nobody is willing to carry it to-day. As Mr. Zwicker has pointed out, it may be necessary to send these vessels to the West Indies to bring the salt back, I would not say that was a desirable trade for the small cruisers as carrying the fish from Newfoundland

to Nova Scotia.

THE CHAIRMAN: Your product goes to the West Indies too, does it not?

MR. RITCEY: Yes, but I question how much we would like to carry on our own vessels, we have very nice freight service between practically all the ports of the West Indies.

THE CHAIRMAN: Whose service is that?

MR. RITCEY: We have C.N. Steamships, we have the Alcoa Line, and also a new line has come into being in the past year, so we are pretty well taken care of in that respect, but the salt requirement is tough, it may be necessary to send the small schooners to the islands to get the salt in order to take care of our own salt requirements. I do not think there is anything more I can add to the brief but any questions any one wishes to ask I will be most pleased to answer them.

THE CHAIRMAN: Thank you. Mr. Lajoie?

MR. GERIN-LAJOIE: I think for the purpose of the record if Mr. Ritcey would explain what the Canadian Atlantic Salt Fish Exporting Association is?

MR. RITCEY: It is an organization that gathers and exchanges statistical matter for the industry; it is made up of a group of exporters, Nova Scotia exporters who are in the salt fish business. The Association was formed back in the war days when it was necessary to have group selling, the second World War, and acted at that

time as a sales organization and after that they became more or less just a go-between. I will say we exchange government statistics or any other material we can get relevant to marketing. We exchange that information and if we have a problem to go to government or to industry it is generally taken through our Association.

MR. GERIN-LAJOIE: And do I understand that the Association does not engage in any operation itself?

MR. RITCEY: That is right.

MR. GERIN-LAJOIE: Then what industries, how many and where are the industries concerned located, are they in all four provinces?

MR. RITCEY: No, our Association just covers Nova Scotia, but there is also a similar Association in Newfoundland known as the Fish Trades Association. The Canadian Atlantic Salt Fish Association, the Nova Scotia Fish Packers, and the two Newfoundland Associations and one or two Associations on the west coast, and also several inland Associations make up the Fisheries Council of Canada. We are the group that make up the Fisheries Council of Canada.

MR. GERIN-LAJOIE: Your Association represents a number of industries?

MR. RITCEY: No, just the fishing industry.

MR. GERIN-LAJOIE: A number of fishing industries, I mean, you have a number of members?

MR. RITCEY: Yes, we have approximately

20 members and that represents about 80% of the industry of Nova Scotia.

MR. GERIN-LAJOIE: What members of your Association are interested in having facilities for exporting their products?

MR. RITCEY: We are interested not only in that, we are interested in keeping these schooners that we own te-day employed so that they are economical to own, otherwise, if we have $150,000 tied up and can only utilitize that schooner for eight months of the year, it does not add up very well.

MR. GERIN-LAJOIE: Your members are exporters, do they buy the fish from the fishermen, how does that work? I would like to find out exactly what your members are.

MR. RITCEY: I will take my own firm.

MR. GERIN-LAJOIE: Will you give the name of your firm?

MR. RITCEY: My firm is Ritcey Brothers Fisheries, we are producers, processors and exporters of salt fish, we purchase probably 40% of the requirements of our firm's requirements to keep them busy for the year, so, therefore, we have to go out on the open market and buy fish. The only part of the country we can buy fish for our particular use is in Newfoundland to-day, and it means we have the trading problem getting these fish from Newfoundland to Nova Scotia. Now, if we can use our own schooners then our problem is

over, it has a two-fold purpose, using these schooners it keeps it on a paying basis for one thing, and we have readily available bottoms to carry supplies which in the fall of the year is really hard to get. We depend on Captain Himmelman with his small fleet to help us out as much as he can in our company, but it is getting that he cannot do much for us, his own business is enough to keep his fleet busy.

MR. GERIN-LAJOIE: Do I understand in your company you do not own any schooners?

MR. RITCEY: We own four.

MR. GERIN-LAJOIE: And most of the members of your Association also own a number of schooners?

MR. RITCEY: I would say probably 40% of the members own schooners and the rest do not, but we not only carry fish for our own operation, probably we would not have work enough to keep the schooner busy for the four months carrying fish but probably Mr. Zwicker or somebody else would be only too glad to charter those boats from us. The same thing applies in Newfoundland, I feel quite sure you have had the same request in Newfoundland.

MR. GERIN-LAJOIE: Can you mention where your fish is exported, is it all over the world?

MR. RITCEY: Well, our fish is chiefly sent to the Caribbean areas, we do some business in the United States and we also export to -- well, we had a shipment to Greece last year.

MR. GERIN-LAJOIE: Do you ship any inside

Canada or not?

MR. RITCEY: No, nothing.

MR. GERIN-LAJOIE: Thank you very much.

MR. MUNDELL: We have had filed this afternoon a submission by the Markland Fishing Company Limited and we are asking simply to file this submission and I take it it will go in as an exhibit?

THE CHAIRMAN: It should be an exhibit now in order to appear in the record of briefs before we commence the evidence. It will be Exhibit 35.

---EXHIBIT NO. 35: Submission of Markland Shipping Company Limited.

MR. MUNDELL: I might add that the company is not tendering any evidence in support of their submission.

THE CHAIRMAN: Well, that will terminate our hearings in Nova Scotia. I think I should express the appreciation of the Commission for the very sound assistance that we have received from the various representatives appearing before us. You may be sure that your presentations and your answers to counsel's queries will assist us in our deliberations and we shall give the matter our very best consideration. Thank you, gentlemen.

---At which time the hearing adjourned.

ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Charlottetown, Prince Edward Island, commencing Friday, August 5, 1955, at 10.00 a.m.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W.F. Spence.	
Mr. W.N. Wickwire, Q.C.) Mr. M. Belanger, C.A.)	Commissioners
Mr. D.W. Mundell, Q.C.) Mr. Paul Gerin-Lajoie)	Commission Counsel
Mr. H. Kemp	Economic Adviser to the Commission
---Mr. P. Cimon	Ass't Secretary

GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND

THE CHAIRMAN: I understand we are honoured by the presence of the Premier of the Province and I would be very happy if he would open.

HON. E. MATHESON (Premier of the Province of Prince Edward Island): Mr. Chairman, and gentlemen of the Royal Commission on Coasting Trade, I am very happy to welcome you to Prince Edward Island to-day. The weather is not exactly laid on for you, to-day is very nice, but all our days are not as nice as to-day, but I can assure you quite a number of them are. I hope you will not find it too hot, I think the weather report to-day is that there is a flow of very warm air coming down from

Ontario and Quebec, and if it is it will not be too bad here.

The Province of Prince Edward Island is interested in low-cost transportation, I suppose, as all other parts of Canada are. We in this Province, like our sister Maritime Provinces of Confederation, before and a few years afterwards, had many coastal vessels that did a lot of trading back and forth across the Strait and to other parts of the world. Now we have lost this during a period of years. I am not for one moment saying Confederation is responsible for it, it is a change of time and conditions, but, still, regardless of whether the vessels are owned here or not, the water transportation is very important to us. We have our agreed charges on railways, we have our travel to-day by motor vehicle truck, and all these are very important in the economy of the Province.

I do not think your meeting here will be very long, we are combining with the other Provinces in our submissions, there may be some special matters relative to Prince Edward Island and those alone will be discussed. I hope you will not be unduly delayed, there will be a degree of repetition, there is bound to be that when we unite with others on the preparing of a particular brief.

Certain witnesses will be presented to you by Mr. Campbell who is appearing on behalf of the Government as counsel and you may wish to hear others, and if they are not immediately

available to you I think they can be made available on very short notice. I have every hope that your stay here and your deliberations will prove not only beneficial to the report that you may present as a result of your deliberations, but also will prove beneficial to this Province.

Again I want to welcome you and I do hope you will not be unduly delayed by repetition.

THE CHAIRMAN: Thank you very much. We have, of course, been impressed by the quiet beauty of Prince Edward Island ever since we flew over it in a plane yesterday, and whether the weather was laid on for us or not, it is a very, very happy coincidence. We are very pleased to hear any relevant representations that might be made.

Mr. Campbell?

MR. J.O.C. CAMPBELL: If it please your lordship and members of the Royal Commission, we will endeavour to conclude the two matters that come before the Commission this morning. I happen to be acting also for West Point Ferries Limited, who is a client of mine, and we will be able to conclude, I believe, before lunch both the submissions of the Government and those of West Point Ferries Limited.

In general, as the honourable Premier has just mentioned, we support the submissions presented by Mr. Rand Matheson at Halifax on behalf of the Maritime Transportation Commission. There is no need for either myself or my witnesses to

elaborate on our argument which the Commission has heard doubtless many times before, that competition tends to keep rates down. That is almost an axiom of the shipping trade. However, that is in general point No. 1 of which we have four. Point No. 2, we will endeavour to make this point, that the competitive water rates which flow from water competition in turn lead to agreed charges for inland points. Point No. 3, in proof we propose to offer, with your lordship's permission, and tender one or two exhibits showing directly that the shippers of Maine, for instance, of Maine potatoes to their own Florida are at a considerable disadvantage to the shippers of potatoes from Prince Edward Island to Flordia, because whereas in the United States, Maine shippers must ship in United States bottoms, we in Canada do not necessarily use United States bottoms and our rate, I think the evidence will show that 55¢ per cwt. and that is the normal way in which potatoes are shipped in 100 pound bags, that about 55¢ per cwt. is a normal rate from Prince Edward Island to Florida, while the I.C.C. rate from Maine to Florida is 42 cents, but, whereas 55¢ from Prince Edward Island to Florida covers loading, stowing, dunnage and wharfage and all the incidental expenses, that is not so with the rate filed with the Interstate Commerce Commission, and we must add to the 42¢ filed with the I.C.C. a further 25¢ to cover loading,

stowing, dunnage and so on, making the average, well, not the average in their case because they have a filed rate with the I.C.C., making their filed rate 67¢ as against our rate of 55¢. I believe the evidence will show that although 55¢ may be considered possibly an average rate from Prince Edward Island to Florida per cwt., frequently the rate is considerably lower because we have no filed rate and it is all done by charter party from Prince Edward Island to Florida.

That is one of the things the hon. Premier mentioned as being peculiar to our case because, as your lordship knows, we are large producers of potatoes, exporters of potatoes, and too, Florida is possibly one of our larger markets.

Then, the honourable Mr. Cullen will develop a point which is perhaps peculiar to us in this Province in one respect, although it is a general argument throughout the Commission's hearings, namely, that the British must secure dollars if they are to buy our products. I propose that the witness shall show to the Commission how interested Britain is in, for instance, our very fine bacon and the drive that is being made and has been made to secure the British market for Canadian bacon. As the Commission know, for many years the British taste was for Denmark bacon, that is a saltier type, and it was hard to get an Englishman to appreciate the fact that our bacon is better. We have to some extent succeeded, that is, Canadian bacon

has to some extent succeeded in capturing the palate of the British public, and it would be unfortunate if they were to slip back to their former habit of preferring Denmark bacon which, unfortunately, they are almost obliged to eat on account of the dollar and pound. We in Prince Edward Island who have the reputation of having the best bacon in Canada, naturally wish to ship bacon and establish the bacon market more firmly and it is not just a matter of choice, it is a matter of educating the people of England to the taste of our bacon in addition to providing them with the necessary dollars with which to buy. I believe that Mr. Cullen will develop that point.

Now, with those four points I think we will try, if we can, to develop those and any of the witnesses will be gratified if the Commission would direct any further questions which may seem relevant.

The Honourable Mr. Cullen who is Minister of Agriculture and who is the Minister in charge of the Newfoundland Shipping Service, which is a shipping service developed between this Province and Newfoundland shortly after Newfoundland became a Province of Canada. Mr. Cullen, I might say, will not give evidence by way of question and answer, he will make a statement, with your lordship's permission.

HON. EUGENE CULLEN (Minister of Agriculture for the Province of Prince Edward Island): Gentlemen of the Commission, I would first like to outline broadly transportation services which this Province, by which this Province is served. At the moment we have, first, the Prince Edward Island Railway, it is part of the Canadian National Railways which is connected with the National Rail Service of Canada and with the Continent by a car ferry between Borden and Tormentine. This car ferry from Borden to Tormentine is the only real connection which we have with the mainland. Besides the car ferry at Borden and Tormentine we have a ferry between Wood Island and Carriboo, which carries trucks and passenger cars and passengers. The number of trucks operating over the Carriboo-Wood Island service has increased steadily over the years and the two ships plying the Straits at Wood Island are to-day used to the utmost of their capacity. Besides the two services connecting the Island with the mainland we have operated by the Provincial Government a service between Tormentine and St. John's, Newfoundland, for mixed freight, livestock and farm products which are principally shipped on this service.

THE CHAIRMAN: Does that go to St. John's or elsewhere on the Island?

HON. MR. CULLEN: To St. John's only. At the present time. That service started in 1950, at that time we operated to various ports on the south shore of Newfoundland, we lost considerable

amounts of money in the operation of the service, as much as $44,000 in one year. The following year this service was to Newfoundland and two or three of the other major ports and finally we found that we did not get enough continuous freight to the smaller ports to warrant operating the service and the service was operated between Prince Edward Island and St. John's, Newfoundland. It has gained in popularity and the amount of money it has cost us to operate it has become less each year, and during the past year it cost the government of the Province about $7,000.

Now, besides these services I have mentioned there is a ship that operates between Pictou, Charlottetown and the Magdalen Islands which is subsidized by the Government of Canada and a ship operates between Charlottetown and St. Pierre which is operated by the Government of France. As Mr. Campbell has stated, a great portion of our heavy traffic in boats is handled by chartered steamships. These load at Charlottetown, Summerside, Souris and Georgetown, where there are reasonably large port facilities. About one-third of our potato crop is shipped by steamer in this way. The remaining, probably it is less than one-third, it has been much as a third, one year I remember there was about 12 million bushels of potatoes to be shipped and four million of those were shipped by steamship. There have been years when the amount shipped by steamship would be 20%

or less, and the remainder would be shipped by rail out of the Province.

Besides the bulky crop of potatoes which we have to ship, other products shipped from the Province consist principally of livestock and pulpwood. Pulpwood shipped from Prince Edward Island is probably by chartered freighter.

Prince Edward Island depends almost 100% on our primary producers of agriculture, fisheries and, to a small extent, on the tourist industry. With the Province depending entirely on agriculture and fisheries and with raw primary products which we ship being of necessity low-priced products per hundred pounds, you can see that low-cost transportation is very important to this Province. Over the years, the Government, Province Boards of Trade, Federation of Agriculture and other community-minded bodies, have made representations to the railways, to the Government, as to our need for low-cost transportation. Within the last few years we have been successful in securing an agreed charge for potatoes between here and points in the vicinity of Montreal and Toronto. These agreed charges were based on the water transportation rate which could have been secured to Montreal and have been of great benefit to the shippers of the Province. In a great many cases the low rate which we have enjoyed for the past two years has meant the difference between selling your potatoes and not being able to sell them on the Central

Canada markets.

Since we in this Province produce fine farm products for which we must find a market, we are extremely interested in the prosperity of Great Britain. Not only must we look for a market for our bacon, as Mr. Campbell has mentioned, but cheese, eggs and many others of our products must find a market for the surplus, and whether or not Prince Edward Island ships directly to Britain does not matter since, if the surplus Ontario cheese, for instance, is shipped to Britain, then we in Prince Edward Island can market our cheese in the Maritimes, but if the surplus Ontarioand Quebec cheese must be shipped to the Maritimes to find a market then we have to compete with them and it is usually, as very often occurs in a surplus market of any kind, there are more goods offering for sale than the market will absorb, we sell at a loss to the primary producer. So, every farmer in this Province is intensely interested in Great Britain being in a position to purchase Canadian farm products. If we restrict commerce of Britain in Canadian waters and deprive them of dollars which they have hitherto earned in this area, then we feel that we will be depriving the primary producers in agricultural products of a market which we feel is rightfully theirs.

Mr. Campbell has also mentioned that the rates between Maine and Florida for potatoes, which are set by the Interstate Commerce Com-

mission, and I should have said, which of necessity must be set by the I.C.C. because of the restriction placed on shipping within or between United States ports and the rates between Prince Edward Island and Florida on ships secured from any part of the world which is a great advantage to the shippers in this area.

Now, we are not trying to claim that these are all British ships or that this comes within the scope of the inquiry because shipping from Prince Edward Island to Florida is not coastal shipping, but we wish to show that we feel that if the same conditions as they have in the United States were applied in Canada that Canadian ships had a monopoly on shipment between Canadian ports, then shipment between Prince Edward Island and Newfoundland, and shipment between Prince Edward Island and the Great Lakes ports would be in the same position as the Maine to Florida shipments. We feel if the monopoly of this shipping between our Province and the Provinces of Central Canada through the Great Lakes were allowed, that we would then, in a very short time, probably lose our agreed charges with the Canadian National Railways or with the railway companies because the water competition on which these charges were based would no longer exist. I understand that exhibits will be filed to show the exact cost in connection with this Maine to Florida run and the cost between Prince Edward Island and Florida.

The point that I, as Minister of Agriculture, wish to bring to the attention of the Commission is that this Province is almost entirely dependent on the toil of the primary producers, that is, our farmers and our fishermen, that low-cost transportation is an absolute necessity to this Province if we are to continue to hold our own. Over the years since Confederation this Province has educated thousands and thousands of young people who went to Central and Western Canada and have assisted in building up this great Canada of ours. Over that period of years since Confederation this Province has barely held its own, and one of the reasons why we cannot, the wage scale is lower here and why the young people go to other Provinces to seek a living is that on all manufactured goods in the Province we pay the freight from Central Canada and on the products in which we find the markets in Central Canada we must pay the freight.

The thought I would leave with the Commission is that it is intensely important to every farmer, fisherman or other primary producer in this Province that we have the lowest possible freight rates.

MR. MUNDELL: I wonder if I might ask one or two questions just by way of clarification of some of the things you have put forward. In the present pattern of transportation services to Prince Edward Island you mentioned a service between St. John's and Charlottetown as being

operated by the Government. Are those ships government-owned or is it a charter arrangement?

HON. MR. CULLEN: In the beginning the Government owned a ship, this we did not find very satisfactory for various reasons and perhaps the reasons are important. The principal reason we could not operate a ship as owners in competition with privately-owned ships was that our Canadian regulations are very strict as to the number of crew and the qualifications of officers and so forth. We did operate the ship but eventually we found the cost was much too high and one of the chief reasons why the cost was high was that we found as a Government we could not afford to put ourselves in the position of operating the ship contrary to the regulations. However, we know that ships of comparable size are operated with half the crew that we had on the Eskimo.

COMMISSIONER WICKWIRE: Non-Canadian ships?

HON. MR. CULLEN: Canadian ships, and for that reason we could not compete with those ships at all, our costs were far too high, we had to have a captain with certain qualifications and the men had to have certain qualifications, and we found that other ships of comparable size were operating with people whose qualifications were considerably less than those demanded by steamship lines, but, unfortunately, they did operate. For that reason they can do much better than we were doing so eventually we sold the Eskimo and we

made an agreement with Blue Peter Steamships of St. John's and they supplied the service for a guaranteed average freight of $6,000 a trip. The first year that cost us $32,000 in round figures, I may be out a few cents or something, but the second year on the $6,000 guarantee we were out about $8,000, and last year, as I said, it was about $7,000. Blue Peter Steamships did not want to renew the contract, they claimed they lost money and I presume they did since they did not want to renew the contract, so this year we are operating the same ship on a charter basis, it is entirely ours to lose or gain this year.

MR. MUNDELL: That charter would be a charter but the owners providing crew and that sort of thing?

HON. MR. CULLEN: Yes.

MR. MUNDELL: Sort of a daily charter?

HON. MR. CULLEN: Yes, a per diem charter.

THE CHAIRMAN: Which ship is that?

HON. MR. CULLEN: The Blue Prince is the one we have been operating, this is the fourth year.

THE CHAIRMAN: That is the one that lost its rudder a short time ago?

HON. MR. CULLEN: That is right.

MR. MUNDELL: I have forgotten what the registry of that ship is, do you know, is it a Canadian ship?

HON. MR. CULLEN: Yes.

MR. MUNDELL: Have you ever investigated

the possibility of putting ships of British registry on this run?

HON. MR. CULLEN: No, we have not.

MR. MUNDELL: I was just wondering if you had any opinion of what the comparative charter hire might be?

HON. MR. CULLEN: We have given some thought to that, but the British ships, I think they call it tramping in the area ---

MR. MUNDELL: I think that is as good a term as any.

HON. MR. CULLEN: They were much larger than anything we needed or could supply freight for between here and St. John's on a regular schedule. Mind you, I believe possibly a large percentage of the ships that charter out of Charlottetown for ports in the Southern United States and Central Canada may be of British registry but the size of the ship we require for the service we require between here and St. John's, from one point to another point, we wanted a ship with cold storage and there are not too many tramp ships about with cold storage, and the difficulty of negotiating between here and London to get a British ship on to service.

MR. MUNDELL: I think you mentioned that the cargo on them is livestock, and what else?

HON. MR. CULLEN: Probably butter, eggs, potatoes, turnips, meat products and so forth. The ship is supplied with refrigeration.

MR. MUNDELL: How often does she sail, what is the schedule?

HON. MR. CULLEN: The schedule this year has been every eight days.

MR. MUNDELL: Then you mentioned a line ---

HON. MR. CULLEN: I should say from eight to ten days.

MR. MUNDELL: Then you mentioned another service in connection with Charlottetown and the Magdalen Islands, and also one to St. Pierre. St. Pierre is by the Government of France, the other is by the Government of Canada?

THE CHAIRMAN: No subsidies?

HON. MR. CULLEN: Yes, subsidies.

THE CHAIRMAN: It is a Clarke steamer?

HON. MR. CULLEN: Yes.

THE CHAIRMAN: We saw it in the harbour last night.

MR. MUNDELL: How many vessels are on that run?

HON. MR. CULLEN: Just the one.

MR. MUNDELL: Is she schedule or does she sail ---

HON. MR. CULLEN: Well, she is scheduled in this way, that they advertise trips ahead of time and that they are to make a number of trips per season.

MR. MUNDELL: What cargo would she take?

HON. MR. CULLEN: In the case of that Montreal, I think it would be a general cargo,

farm products and any other things they might load and a few manufactured products as well.

MR. MUNDELL: Is that the only run she makes or does she have another leg? She does not go up to Montreal?

HON. MR. CULLEN: No, not the Magdalena, she just goes back and forth.

MR. MUNDELL: A shuttle service?

HON. MR. CULLEN: Yes, Pictou to Charlottetown.

MR. MUNDELL: Well, on the St. Pierre vessel which is operated by the Government of France, what cargo does France transport there?

HON. MR. CULLEN: That would be practically all farm products.

MR. MUNDELL: Then, I think those are all the scheduled services you mentioned, steamer services?

HON. MR. CULLEN: Yes.

MR. MUNDELL: When we come to the chartered steamships, I think you partially answered this a minute ago, but what would be the destinations of these chartered vessels?

HON. MR. CULLEN: Very often they are to Florida, but they go by the Southern States and we have chartered vessels, steamships to South America.

MR. MUNDELL: What about other Canadian ports?

HON. MR. CULLEN: Well, since the agreed

charges with the Canadian National Railways we are not permitted to ship by steamship to Montreal and Toronto.

MR. MUNDELL: What was the experience prior to that?

HON. MR. CULLEN: There would be steamships chartered in the fall of the year.

MR. MUNDELL: To run to Montreal?

HON. MR. CULLEN: Yes.

MR. MUNDELL: I do not know whether you can answer this or not, but would they be British or Canadian registered vessels?

HON. MR. CULLEN: I would not want to make a positive statement on that, but I think in most cases they would be British registered ships.

MR. MUNDELL: What would be the case with regard to cargoes on vessels chartered for foreign ports, would they be Canadian or United Kingdom bottoms?

HON. MR. CULLEN: Most of the ones chartered for foreign ports would probably be Norwegian, a good number of British ships but not necessarily all British, they would be Norwegian and Danish and all the countries of the world.

MR. MUNDELL: Who would do the chartering as a matter of arrangement?

HON. MR. CULLEN: Usually a syndicate of shippers.

MR. MUNDELL: That would be an organized group or just --- ?

HON. MR. CULLEN: No, not necessarily an organized group. Again, they would not be an incorporated group, it may be one or two that charter a steamship up here, or as many as five or six.

MR. J.O.C. CAMPBELL: We propose to tender a charter in evidence.

MR. MUNDELL: Thank you. Well then, before we leave the present services, were there any scheduled runs between Prince Edward Island and the mainland, were there any at any time, steamer services, within the last 15 years or so?

HON. MR. CULLEN: I think I have outlined all the services that are scheduled between Prince Edward Island and the mainland at the present time.

MR. MUNDELL: I was wondering if there had been previously scheduled services?

HON. MR. CULLEN: There was one between Montague and Sydney and before the Wood Island service started there was a service from Charlottetown to Pictou that was subsidized and for a great many years the Federal Government subsidized a ship to operate from Charlottetown to St. John's, Newfoundland. This service was usually undertaken by a company that operated from Montreal to St. John's and they called at Charlottetown.

MR. MUNDELL: I was wondering if there is any explanation why they might have been discontinued?

HON. MR. CULLEN: I could tell you a great deal about that.

MR. MUNDELL: Well, I am not sure that it might not be relevant to have some of it, in any event.

HON. MR. CULLEN: It seems that the reason for the discontinuance of the service between Charlottetown or from Prince Edward Island to Newfoundland -- I should have used the word "subsidized" -- the discontinuance of the subsidized service was that when Newfoundland became a Province of Canada the Government of Canada undertook to operate the railways in Newfoundland themselves, along with the railway they undertook to operate the coastal vessels which had formerly been operated by the Government of Newfoundland. The first time after Newfoundland became a Province of Canada that we applied for a renewal of the subsidy by the Government of Canada for a service from Prince Edward Island to Newfoundland, we were told that the Canadian National Railways can supply all the services required, that the Maritime Commission could not subsidize a service in competition with another subsidized service and for the purpose of argument they choose to consider the Canadian National Railway operation, coastal and inter-Provincial steamship services, as a competing service since Newfoundland became a Province of Canada. We have never been able to secure a subsidy for steamship service between Prince Edward Island and Newfoundland since then, although some of our products are occasionally

shipped to Newfoundland by rail from the shipping point in Prince Edward Island to the destination at probably some outport in Newfoundland for a freight rate which is less than the steamship cost between Halifax and St. John's and the railway loses large amounts of money. Now, I do not know just what way that is absorbed or if the exact figure that is lost in operating this service, the Newfoundland railway service, can be ascertained, but we do know that the subsidies together with the other direct subsidies to the railway in the area amount to about $9 million per annum and still we have never, since Newfoundland became a Province we have never got to first base, if I might use a slang expression, towards getting a subsidy for a steamship service from Charlottetown to St. John's.

MR. MUNDELL: This question probably comes out of turn, I should have asked it before, did you expect to lose or make money on the charter arrangement between Charlottetown --- ?

HON. MR. CULLEN: We expect to lose money.

MR. MUNDELL: Last year you lost about $8,000?

HON. MR. CULLEN: About $7,000 some odd.

MR. MUNDELL: What would you expect this year?

HON. MR. CULLEN: Well, say $20,000.

MR. MUNDELL: Well, in effect, the Government of Prince Edward Island is now subsidizing that service to the extent of $20,000?

HON. MR. CULLEN: Did any of the gentlemen on the Commission ever operate a steamship service?

MR. MUNDELL: I do not think so.

HON. MR. CULLEN: Well, it would sound kind of foolish to anybody that was engaged in a less uncertain business on which you say, "We are going to lose $20,000". It is just a guess, $10,000, $50,000, $70,000, it is a very uncertain business operating this service.

MR. MUNDELL: I think we have been told that before by ship operators. Now, that covers that, there used to be this service, now there are these services, I was wondering if you had given any study to the effect on your services when they open the Seaway service, when you might ship from here to Fort William or vice versa?

HON. MR. CULLEN: Tnat we cannot tell, I think a study is being made in the Maritimes now by some of our economists and so on, but I think I would be undertaking something which even the greatest economists in the country would hesitate to give an opinion on if I gave an opinion on that.

MR. MUNDELL: I am afraid that is one of the things this Commission has to form an opinion now and it would be helpful if you have any views to express them.

HON. MR. CULLEN: Well, there may be a few things that I can tell you. For instance, a few months ago we had a large processing company for farm products, national or international company,

that were considering establishing a branch in Prince Edward Island and they did insist that they would have to have their factory, if they located it here, they would have to have their factory at a port where large steamships could load so that we understood that they intended, if they established here, that when the St. Lawrence Seaway was established that they would distribute their products in Central Canada and the United States as well as throughout the Great Lakes.

MR. MUNDELL: Let me understand, as a Province that is interested in and have a low-price product, in a sense, and interested in low-cost transportation, you may expect to get considerable benefits from this?

HON. MR. CULLEN: Yes.

MR. MUNDELL: It may have the effect of pushing back agreed charges from Toronto to Montreal further back?

HON. MR. CULLEN: That we would expect, yes.

MR. MUNDELL: Well now, I do not know whether you wish to go into the agreed charges problem or whether it was expected that Mr. Matheson would do that?

HON. MR. CULLEN: I would rather Mr. Matheson go into the figures.

MR. MUNDELL: I was wondering about the history of how it came about, whether you might explain the story of that a little bit for the information of the Commission?

HON. MR. CULLEN: Well, I think probably Mr. Matheson might be better qualified to give you details on that sort of thing. In a general sort of way I could give you the history but as for the dates and figures, I think Mr. Matheson would be much better.

MR. MUNDELL: Thank you. Now, I do not know whether I should ask you this or somebody else, but are there any shipbuilding facilities in Prince Edward Island?

HON. MR. CULLEN: No.

MR. MUNDELL: Would you say there are any ship repairing businesses, as such, or is it a casual sort of thing carried on by others?

HON. MR. CULLEN: There is a ship repair firm on Prince Edward Island. Unfortunately, they do not have a dry-dock so they can only do such repairs as can be done without a dry-dock.

MR. MUNDELL: Now, what would their repair work, what type of shipping would their repair work deal with?

HON. MR. CULLEN: Well, for the last ten years they have done considerable work for the Navy on smaller types of craft.

MR. MUNDELL: Would it be fishing craft and that sort of thing?

HON. MR. CULLEN: No.

MR. MUNDELL: I am sorry, you said the Navy?

HON. MR. CULLEN: Yes.

MR. MUNDELL: I thought you said "Canadian".

HON. MR. CULLEN: Small boats on the

Island, from the Island, and small fishing boats and that sort of thing, they have done that.

MR. MUNDELL: That is another question I am getting out of order. In addition to the other facilities we have discussed, is there any local traffic between ports in Prince Edward Island by water?

HON. MR. CULLEN: Very little now, there is a ferry boat that ferries across the Harbour between Charlottetown and Rocky Point.

MR. MUNDELL: And distribution takes place across the Island rather than around the coast?

HON. MR. CULLEN: There is another one from Newport to Georgetown and a few smaller ferry services that are supplied for passengers only, rather highway links than shipping.

MR. MUNDELL: There is no local distribution?

HON. MR. CULLEN: There is no local distribution in the Province as far as freight is concerned.

MR. MUNDELL: In the loading and unloading of vessels is there a stevedoring union?

HON. MR. CULLEN: Yes.

MR. MUNDELL: How is the efficiency in loading and unloading, are there any problems in that respect?

HON. MR. CULLEN: Yes, we do have that problem here, especially with regard to the ship that we operate between Charlottetown and Newfoundland because this is a small ship and the union insists

on the minimum gang to load the same craft in St. John's, Newfoundland, but the union insists that they have a minimum number of men in the gang, six men on a ship the size of the Blue Prince are only inclined to get in one another's way and the cost is higher than it should be. We know that in Halifax the cost per hour of engaging stevedores is much higher than in Charlottetown, the current loading costs are lower in Halifax, that is what we are told by steamship company owners, that the efficiency is much higher.

MR. MUNDELL: What about the use of machinery in loading and unloading, fork loads and that sort of thing, have you any problem in that respect here?

HON. MR. CULLEN: I do not think we have any terrific problems there.

MR. MUNDELL: That is to say, you may use machinery but you have to have the larger gangs?

HON. MR. CULLEN: It appears we have to have the gangs anyway.

MR. MUNDELL: Do you know the size of the gangs?

HON. MR. CULLEN: I think it is 19 now on Prince Edward Island, I know it was 17 years ago and I think it is 19. We can find that out for you. I know it is 26 at St. John's.

MR. MUNDELL: I think it goes higher than that. Is it the same union?

HON. MR. CULLEN: No, they are separate unions.

MR. MUNDELL: I think that is all I have to ask.

COMMISSIONER WICKWIRE: I just want to make it clear to myself, Mr. Cullen, do agreed charges apply to all products on the Island or just potatoes?

HON. MR. CULLEN: Potatoes.

COMMISSIONER WICKWIRE: Potatoes only?

HON. MR. CULLEN: Yes.

COMMISSIONER BELANGER: About potatoes, is there any central agency in Prince Edward Island to market your potatoes, the Government agency or something like that?

HON. MR. CULLEN: There is a Prince Edward Island Marketing Board, they are the group who arrange the agreed charges.

MR. MUNDELL: I would like to ask another question that occurs to me as a result of that. You mentioned in regard to chartering ships there were individual groups who charter them for export, they do not operate through the Board in that case?

HON. MR. CULLEN: In some cases, yes, in others, no.

MR. MUNDELL: It is flexible?

HON. MR. CULLEN: The situation has been rather fluid, if I might say, and conditions have changed from time to time. There was a time when the 1953 crop was marketed practically all the ships were chartered by the Marketing Board, but during the past season they have been chartered

by individuals and groups of individuals and corporations.

MR. MUNDELL: I think it might be helpful as a preliminary to Mr. Matheson's discussion on agreed charges, it may be helpful to the Commission if you would deal with the position of the Marketing Board just briefly.

HON. MR. CULLEN: To deal with the position of the Marketing Board would be difficult, but the position with regard to the Marketing Board is this, that the Marketing Board came into operation say four or five years ago and during the season 1953-4 there was a surplus of potatoes in Prince Edward Island and the Marketing Board made an agreement with the Federal Government that they would market the potatoes and that the Federal Government would reimburse them on these potatoes to a certain point. The Marketing Board went ahead and marketed the potatoes in the ordinary markets in the usual way but whenever they had to sell less than prices at say 45¢ and ranging from that up to 55¢ at various seasons of the year, well, whatever they sold for less than that the Federal Government reimbursed them. That year practically all the potatoes were marketed through the Marketing Board. It then appeared during the summer of 1954 that there would be a good market for potatoes, that the price would be high, and a great many people in the Province felt that the Marketing Board should not have anything to do with marketing when the price

was good, so there were two plebiscites held in connection with the question. The first one, I think, in May probably, and that one resulted in a vote in favour of the Marketing Board retaining the Marketing Board. Itwas rather a vaque question. Later on the people demanded more action and another plebiscite was held which asked two questions, whether the people wanted a Marketing Board and whether they wanted one desk selling; the people responded by saying emphatically that they did not want one desk selling but they did want a Marketing Board, so during the past year the Marketing Board has been stripped of their powers, not by any process of law but because they knew that the people did not want one desk selling, and that was a result of the plebiscite, so they did not enforce that last year. That is about the position we are in at the moment, the Marketing Board is stillmore or less in operation but has been inactive during the past several months.

MR. MUNDELL: If I understand it correctly, it is established by Provincial statute, is that right, the Marketing Board?

HON. MR. CULLEN: It is established by a Federal statute with permissive legislation.

MR. J.O.C. CAMPBELL: The Board is established?

HON. MR. CULLEN: Yes, that is right.

MR. MUNDELL: That was involved in a case that went to the Supreme Court of Canada.

HON. MR. CULLEN: I would not want to get into that case, it is deep water.

MR. MUNDELL: It is not compulsory to deal with the Board?

HON. MR. CULLEN: Well, that is before the Court right now, I believe.

MR. J.O.C. CAMPBELL: If my friend would permit me, with the permission of the Board, I notice we have been using the term "Marketing Board", actually what we have been referring to or what the witness and my friend have been referring to is the Potato Marketing Board. There is also the Prince Edward Island Marketing Board which is higher than the Potato Board but which would deal with any other forms of marketing, so the word "Potato" should be inserted before "Marketing" in all cases, the Potato Marketing Board.

MR. MUNDELL: Thank you.

THE CHAIRMAN: Thank you very much, Mr. Cullen. Proceed, Mr. Campbell, please.

MR. J.O.C. CAMPBELL: I would like to sall Mr. Elric W. Campbell. Mr. Campbell is the secretary of the Prince Edward Island Potato Dealers' Association.

ELRIC W. CAMPBELL, called.

MR. J.O.C. CAMPBELL: Mr. Campbell, as I informed the Board, you are the Secretary of the

Prince Edward Island Potato Dealers' Association?

A. That is right.

Q. Or do you call them the Potato Dealers Association of Prince Edward Island?

A. The former is the way it is worded.

Q. In addition to that, of course, that is not a full-time job, in addition to that you are actively in the potato business with the firm of H.W. Willis Incorporated?

A. That is right.

Q. As their secretary or treasurer or something like that, you are secretary-treasurer of the firm of H.W. Willis Incorporated, you are one of the -- I asked this question at the last inquiry and he did not like to say how near he was to the top, but you would be, perhaps, one of the first half dozen?

A. Yes.

Q. The firm is one of the largest shippers of Prince Edward Island potatoes?

A. Yes.

Q. Although in some cases now pending you would not care to have that used against you?

MR. MUNDELL: Claim the protection of the Canada Evidence Act.

THE CHAIRMAN: It is available.

MR. J.O.C. CAMPBELL: Is that available?

THE CHAIRMAN: Oh, yes, with the Royal Commission.

MR. J.O.C. CAMPBELL: I would like to have

the protection of the Court for that answer, my lord.

THE CHAIRMAN: Very well.

MR. J.O.C. CAMPBELL: I propose, Mr. Campbell, we do not want to take too long, but I propose to deal with three questions and I base them on B100 which is a brief of the Maritimes Transportation Commission and at page 7 of Volume 3, being part of B100, I notice this statement:

"In the fall of 1954, Prince Edward Island "potatoes moved on vessels chartered on the "open market to United States southern ports "for charges averaging about 55¢ per "hundred pounds."

Would it be a fair statement, Mr. Campbell, that 55¢ a hundred pounds is a fair average price shipping by charter from Prince Edward Island to, say, Jacksonville, Florida?

A. Yes, I think it is a fair average, last year I think the lowest rate we had in the boats we handled was 47¢, that was last fall and that is the berth term including unloading discharge, so 55¢ I would say is perhaps a little high for an average, but certainly in figuring costs in selling to the South we would not figure in running into a rate higher than 55¢.

Q. You would not expect to find a rate higher than 55¢, but do you find rates lower than 55¢?

A. Oh, yes.

Q. Frequently?

A. Quite often.

Q. Quite often lower than 55¢?

A. We would not figure on finding any higher than 55¢.

Q. I show you a copy of a charter party and for this, too, my lord, I would like the protection of the Court. This is dated 17 Battery Place, New York 4, New York. It has to do with the charter of the S.S. Carla Maria and it concerns potatoes shipped from Charlottetown to Jacksonville, Florida, where the rate is 47¢ U.S., cargo to be loaded, stowed and discharged at steamer's expense and the dunnage to be for owner's account but not exceeding $400. Were you the Prince Edward Island agents who shipped under that charter party?

A. We were the agents for the charterers for the charter of the ship.

Q. And you were concerned with loading under that charter party and seeing the ship got away?

A. Yes, well, that is another phase of the work, we were also the loaders or the stevedores for the boat and, as I mentioned, we were the agents for the charterers as well.

Q. I will tender this, my lord.

THE CHAIRMAN: Exhibit No.36.

---EXHIBIT NO. 36: Charter party dated October 26, 1954.

MR. J.O.C. CAMPBELL: Q. I notice, "Cargo to be loaded, stowed and discharged at steamer's expense", there they use the word "steamer", where

all dunnage is to be for the owner's account. Who is the owner there, the owner of the steamer or the owner of the potatoes?

A. The owner of the steamer.

Q. So that loading, stowing, discharging and dunnage are all for the steamship?

A. That is right.

Q. And not for the shipper?

A. That is right.

Q. And the price there was 47¢?

A. That is right.

Q. A 100 pound bag?

A. Yes.

Q. And I believe that is the normal way of shipping potatoes, in 100 pound bags for the United States trade?

A. That is right, that has been the practice for a number of years.

Q. Now, on the other side of the picture I believe that you have received, or, at least, Mr. Matheson has and it has been passed on to you, a telegram dated at New York on July 19, 1955, addressed to Rand H. Matheson at Moncton:

"Retail I.C.C. tariff rate potatoes
"domestic movement 42 cents hundred-
"weight with loading, stowing,
"dunnage, discharging, wharfage for
"shipper's account which estimate
"25 cents additional."

That is signed by a broker in New York?

A. Yes, I saw this telegram and it compares with what our understanding has been there of the rates.

Q. That shows a rate, shipping from Maine, some point in Maine?

A. Seasport or Bucksport.

Q. They are both the same, are they not?

A. Yes.

Q. From there to Jacksonville, Florida, the rate filed with the I.C.C., is that filed or fixed?

MR. MATHESON: Filed.

MR. J.O.C. CAMPBELL: That is 42 cents per cwt., plus an estimated 25¢ for handling?

A. Yes.

THE CHAIRMAN: Exhibit 37.

---EXHIBIT NO. 37: Telegram addressed to Rand H. Matheson from Maxwell Harris Company Incorporated.

MR. J.O.C. CAMPBELL: You say that has been your understanding. What have you to say about the relationship of Maine shippers to Jacksonville viz-a-viz Prince Edward Island to Jacksonville?

A. Well, there are not a great many boats move that way from Maine to the south and my understanding of the reason is it was because of the high rates.

Q. High water rates?

A. High water rates, it is not practical for the shippers to move first by rail to the

port and then pay the very high water rates on the barges going from Seasport or Buckport down to the South Atlantic coast.

THE CHAIRMAN: Do they move by barge?

A. Maineboats, if they move, are moved by barge with the tugs. Of course, they are forbidden or prohibited from using the ships that we use from Prince Edward Island to the Southern States.

MR. J.O.C. CAMPBELL: Your understanding is they must use United States bottoms?

A. That is right.

Q. Now, the second point I wish to make, Mr. Campbell, is found at the top of page 8 of brief No. 100 in Volume 3:

"The rail rate structure within and between "the Maritime territory and Central Canadian "territory, and between the Maritimes and "Pacific Coast points, basically reflects "the pervasive influence of water com- "petition."

May I have your comment on that?

A. Well, the rail rates that we have paid on our movement between here and Upper Canada has been influenced by water rates.

Q. Influenced in what way?

A. Well, they have been kept down because of the available water rates prior to the agreed charges.

Q. Prior also to the competitive rates,

I suppose?

A. Well, prior to the agreed charges, the competitive rates we had in effect then were set up to save for the railway the business which was -- it seemed likely they might lose at that time to the steamships. There were reports made here by a steamship company to get a piece of our boat movement business and at that time the Canadian National Railways introduced their water competitive rates.

THE CHAIRMAN: When was that?

A. In 1953, I believe.

COMMISSIONER WICKWIRE: A Newfoundland company?

THE CHAIRMAN: Tregenza?

A. Tregenza is right.

MR. J.O.C. CAMPBELL: What have you to say in general as regards the effect of water competition on rail rates?

A. Well, the water competition has tended to keep rail rates down.

Q. If water competition were removed what would you expect to find would happen to the railways?

A. Well, without any competition, I feel quite sure that their rates would increase, in fact, the water competitive rates we had were put in only on a temporary basis, in other words, they had an expiry date and I would assume if water competition is removed we can naturally look

forward to higher railway rates prevailing.

Q. And what would you say you would expect to happen if water rates increased?

A. Well, the same thing would happen, rail rates would increase along with them.

Q. Can you give us any percentage of the Prince Edward Island crop which moves by rail into Central Canada?

A. The percentage of the Island crop?

Q. Or could you segregate it even further into Montreal and Toronto, what percentage would you say of the Prince Edward Island crop of potatoes generally moves to Montreal or Toronto?

A. Well, Montreal and Toronto, I think we have to take the two of them together because maybe it is a Montreal broker that makes a purchase that eventually ends up in Toronto. I have not seen figures on that recently but I would judge 50% of our crop must go into those markets.

Q. 50% of the Prince Edward Island potato crop goes into the markets of Central Canada?

A. I would think so, it might vary a bit from year to year.

Q. And I included Montreal?

A. Yes, it may vary from year to year depending on the crop they had. This year it looks low.

THE CHAIRMAN: I suppose the marsh has something to do with it, it was flooded out this year and there will not be so many and there will be a

great market for them in the Toronto area?

A. Yes, then there is our own production and the quantity which the American market takes depending on the growing conditions down there whether or not they have a surplus or whether or not they are anxious to get our production. When I estimate that 50% of last year's crop went in there, it may not be so great this year, or greater by quite a large margin, one way or the other.

MR. J.O.C. CAMPBELL: About 50% of last year's crop went to Central Canada?

A. Yes, of that amount there was ---

Q. Were there agreed charges in effect then?

A. Yes.

Q. So that entire crop or, at least, the 50% of it, the entire shipment to Central Canada including Montreal went by C.N.R.?

A. Yes, with one exception. They should all have gone that way but in view of the agreed charges I believe there was one party that broke the agreement and who shipped a boatload, I would be curious to know why, it must have been the rates that caused him to do that.

Q. It must have been the more favourable rate but you know one boatload last fall that went through?

A. Yes, it was only a small boat.

Q. It went up the St. Lawrence?

A. Correct.

Q. Thank you, Mr. Campbell.

MR. MUNDELL: Q. Mr. Campbell, you mentioned that 50% of the crop went to Montreal and Toronto, I do not think you broke down the figures as to where the other 50% went. Could you give us any idea?

A. Well, there is a quota shipped to the United States markets in the fall and a continuous movement through the year to Newfoundland, a small quantity to Nova Scotia.

Q. You could not give us the percentage of that?

A. No, I would hesitate to make a guess. It is merely a guess for the 50%.

Q. A major part would go to the United States market of the 50%?

A. Yes, that would be right.

Q. Could you give us the over-all value, roughly speaking, of the Prince Edward Island potato crop last year exported from the Island?

A. Well, we estimated about 10,000 acres and, of course, the price changed from the fall to the spring, they were as high as $6 a cwt. this spring and $2 a cwt. last fall. I have not seen any economist's figures as to what they would be worth but I suppose perhaps $1,000 a carload for 10,000 cars.

Q. $10 million?

A. $10 million.

Q. By the way, I was wondering what

exactly is dunnage?

A. Dunnage is either straw or hay or low quality lumber that is used to keep the bags from getting injured against the sides of the ship; well, in other words, to pack the potatoes in the boat.

Q. Like excelsior to pack light bulbs?

A. Yes.

Q. I suppose excelsior is really dunnage. What is the difference in the sailing time to Florida from Maine and Prince Edward Island, do you know?

A. No, I would not know what time it takes from Maine, but it is only a matter of four or five days from here so I suppose it would be a day or two for that.

Q. Somewhat shorter, in any event?

A. Yes, I do not know whether these boats are able to get through, one of them ended up somewhere last fall.

THE CHAIRMAN: What registry is the S.S. Carla Maria?

A. I believe it was an Italian ship.

MR. J.O.C. CAMPBELL: The Italian S.S. Carla Maria.

MR. MUNDELL: I do not know whether you want to go into this or whether it would be better for Mr. Matheson to go into an analysis of the situation pre-agreed rates?

A. I will leave that for Mr. Matheson.

Q. And also I suppose Mr. Matheson will

be explaining the terms of the agreed rates. I mean, you mentioned one party had broken the agreement, what the effect would be?

A. Yes.

Q. Have you made any investigations or given any thought in your firm towhat may be the possible effect of the St. Lawrence Seaway on your business?

A. Well, we have given it some thought all right, I do not know whether we have come to any conclusion. As our freight rates sit at the moment with the agreed charges in effect, we are in a reasonably satisfactory position and we are interested in maintaining that position and as long as we can operate with the rates as they are to-day we have not got very much reason to feel that the Seaway is going to enter into the picture as far as we are concerned very much. I suppose if the rates applicable to shipments going up and down the Seaway were to increase through the prevention of British ships operating there, it would become a serious matter for us and we could expect our agreed charges would either be increased or removed.

Q. Before the agreed charges -- you may have said this but I missed it -- did you charter ships for the shipment of potatoes?

A. No, not for shipment to Montreal.

Q. You used rail?

A. That is right.

Q. In general in the trade were many

ships chartered at that time?

A. I do not think so, my experience does not go back very much beyond that but I do not think it was general that shipments were made by boat, some shipments were made from time to time but not the bulk.

Q. The bulk went by rail before?

A. Yes, of course, our period of potato movement on Prince Edward Island are such that a great amount of them are moved during the winter time when navigation is closed.

Q. Well, I do not know if Mr. Matheson is going to give the history of how the agreed charges came about. I do not think I have any more. Thank you very much.

THE CHAIRMAN: Thank you very much. I think we will have a ten minute recess now.

---Intermission.

THE CHAIRMAN: Yes, Mr. Campbell?

MR. J.O.C. CAMPBELL: Mr. Rand H. Matheson.

RAND H. MATHESON, called.

MR. J.O.C. CAMPBELL: Mr. Matheson, before entering on the subject of agreed charges, I believe you have an exhibit which may be of some interest to the Commission?

A. There is a statement as prepared

here entitled, "History of Rail Rates on Potatoes from Typical Originating Points in Prince Edward Island and New Brunswick to Specified Destinations in Quebec and Ontario, Indicating Charges Reflecting Various Freight Rate Increases since April 7, 1948, to July 18, 1955." I have an extra copy here for the Commission and we will tender that, my lord.

THE CHAIRMAN: Exhibit No. 38.

---EXHIBIT NO. 38: Statement entitled "History of Rail Rates on Potatoes from Typical Originating Points in Prince Edward Island and New Brunswick to Specified Destinations in Quebec and Ontario, Indicating Charges Reflecting Various Freight Rate Increases since April 7, 1948, to July 18, 1955."

A. In this exhibit, No. 38, you will notice that I have set out the rates as of April 7, 1948, and indicated it as a base rate. In the subsequent columns there is shown various freight rate increases as authorized by the Board of Transport Commissioners. If you will look under the column headed February 11, 1952, you will notice 12% continued. The judgment of the Board in that particular case did not authorize the additional increase which was applied generally on various commodities as from the Board's order ---

MR. J.O.C. CAMPBELL: Pardon me, was that the 17% case?

A. That is the 17% case. You will notice in the column before, July 26, 1951, was the effective date of the so-called 12% interim

increase, it was because of the representations made to the Commission in conjunction with representations of the potato industry the Board saw fit not to grant the additional increase in respect of potatoes. However, you will see in the column of January 1, 1953, a further increase of 9% which was applied to potatoes as well as other commodities and so we find on March 16, 1953, another additional increase of 7%. From April 7, 1948, which is the base rate until March 16, 1953, the rates on potatoes were increased on an average basis of 89.67% viz-a-viz the general authorized increase of 98.2%. In the proceedings before the Board of Transport Commissioners the dealers and shippers that appeared stressed the difficulty which the industry was experiencing in marketing their potatoes because of this continuous horizontal increase as applied to this particular commodity. As was expected, the rates had reached a level whereby the truck and water competition began to manifest itself. You will notice down in the column from Woodstock, New Brunswick, where there is a corresponding history, we find that on September 21, 1953, the railways, that is including the Canadian National Railways and Canadian Pacific Railways reduced their rates from Prince Edward Island origins as well as from New Brunswick origins to specified destinations in Ontario and Quebec. The statement will reveal the amount of reduction as effected at that time. Incidentally, at the bottom of the statement you

will see references indicated as "Tariff References" which are the tariffs legally filed with the Board of Transport Commissioners. The competition from Prince Edward Island was in the form of water whereas from New Brunswick, being an interior section with shorter mileages to Ontario and Quebec, the competition was, of course, motor truck. Substantially terms were indicated to be everything from the New Brunswick area by truck and quotations were made to the dealers in this territory by the services operating between Newfoundland and the Great Lakes and St. Lawrence Waterway. However, these competitive rates were subject to a terminating date which was December 31, 1953. The usual procedure in connection with water competitive rates was when the season of navigation terminated the rates are reassured on the normal basis. There was considerable concern felt in regard to this by shippers in this area and, as was pointed out this morning, quite a substantial part of the move takes place during the winter months, a conference was held with the railways considering the extension of the rates and from that developed the proposal to ship on an established agreed charge. I have a copy of the original draft of the agreed charge which I have in my file. This agreement was filed to become effective on March 1, 1954, but was not approved by the Board of Transport Commissioners until October 12, 1954. However, the effect of the agreement was retroactive to March 1st. This

is the copy filed.

THE CHAIRMAN: Exhibit 39.

---EXHIBIT NO. 39: Canadian Freight Association agreed charge, effective March 1, 1954.

A. This agreement was for 100% of the traffic to the points as specified therein. There were several other angles in connection with this agreement besides and apart from the water competitive aspect, and you will notice by referring to the column marked March 1st, 1954, "AC75" that the rates from Charlottetown, Prince Edward Island, and Souris, Prince Edward Island, are exactly the same to the destinations as indicated. This was part of the arrangement that was made between the railways and the interested dealers and agreed upon at a conference held in Charlottetown on January 19, 1954. There had been a previous meeting on December 30, 1953, so, in consideration for this agreement, the special rates, the shippers undertook to give their business to the specified points on a 100% basis.

MR. J.O.C. CAMPBELL: I believe an amendment of that agreement was produced at the last hearing here before the Board but was adjourned pending some clarification of the position of the Prince Edward Island potato market.

A. That is correct. The further agreement includes additional points so that this agreement originally signed is still in effect.

Perhaps I should point out the reductions between the March 16, 1953, column, which is the peak of the increase as authorized by the Board, viz-a-viz the March 1st, 1954, rates now obtaining. Take the rates from Charlottetown to Toronto, you will notice on March 16, 1953, the rate set was 73¢, whereas at March 1st, 1954, as a result of the agreement, a rate of 55¢ per hundred pounds was established, which rate also is from Souris, Prince Edward Island, which is a point on what they call the outer zone of Prince Edward Island -- there are two zones in connection with rates between Prince Edward Island and Ontario and Quebec, the so-called inner zone from Summerside to Charlottetown to Borden, all the outer zones are the parts of Prince Edward Island east of Charlottetown and west of Summerside.

Q. But those zones, for practical purposes, have been abolished by the agreed charge?

A. Agreed, it was part and parcel of the arrangement which was effected. I think I should observe also that one of the features of this, if you will notice, London, Ontario, is an interior point, there are other interior points like Ottawa and I think these others, they are not included here but the exhibit of the agreed charge will show the various other points, inland ports, and, of course, these are destinations to which the boat lines do not give a service, being interior points, unless arrangements were made to take the shipment by

truck from the ports. For instance, North Bay is another interior destination -- I am taking them at random here -- there is Sudbury and so on but the agreement represents the principal points to which potatoes move from leading points on Prince Edward Island.

COMMISSIONER WICKWIRE: If I may interrupt you, Mr. Campbell said the zones have been virtually abolished, there is only one rate now?

A. There is actually only one. I think it has been abolished in so far as the agreed charge is concerned.

COMMISSIONER WICKWIRE: I just wanted to clear it up for myself, there is only one rate.

MR. J.O.C. CAMPBELL: Yes. What I meant was this, that if the agreed charges were abolished the zones would re-appear.

THE CHAIRMAN: That is limited to the agreed charge, with potatoes going in this direction do the zones still exist?

A. That is correct, my lord, and other destinations that are not here to which the zones are still applicable.

MR. J.O.C. CAMPBELL: That perhaps is subject to another qualification, the zones were abolished by order of the Board of Transport Commissioners, that is, we won that case, the railway appealed it. About the same time another case appeared in which the railway was of the opinion that a directly contrary judgment had been given by the

Board and the railway took the attitude that they could not be wrong both times and they appealed the order abolishing zones in Prince Edward Island. That I argued before the fall Board in Ottawa and a legal question having arisen during the course of the argument, it was thought by the Board that they should not determine the matter on the appeal then before them without a reference to the Supreme Court of Canada on the law and that is the position it is in at the present time. Then, the parties got together and agreed on the agreed charges, thus avoiding an appeal to the Supreme Court of Canada but as a matter of law, strictly speaking, I should think that although the appeal by the Canadian National Railways has not been abandoned yet we still have the order of the Board of Transport Commissioners abolishing the two zones, is that not correct?

A. Yes, actually I think that would be the exact legal position.

MR. MUNDELL: I was wondering, Mr. Matheson, if you could give the sort of factual background that led up to the negotiations a little more fully. Were there shipments by water developing?

A. Oh, yes, the steamship lines were interested in the traffic and as of September 21, 1953, the railway saw fit, because of the quotations and the activity that had developed, to establish competitive rates to meet the quotations of the interested steamship lines.

Q. That was September 1st, 1953?

A. September 21, 1953.

Q. I beg your pardon. What happened after that that led to the agreed charges? That was the competitive rates?

A. That is right, then the competitive rates were subject to a terminating date, I am not just clear whether it was November 30, 1953, they were to terminate, and as a result of representations they extended it for another month but, in any event, the rates were extended to December 31, 1953, and discussions took place with the railways with the end in view of having the rates extended for a further period. During that time of the discussions that followed between the meetings of December 30, 1953, and January 19, 1954, this proposition of agreed charges was put forward. At the same time, as Mr. Campbell has pointed out, there was this outstanding case, so there was an interlocking of aspects, there was the competitive aspect with the idea of having the rates continue beyond the season of navigation; there was the one zone case aspect, so-called, and one of the features of agreed charges is that it would bring an element of stability in the rates in the event the railways saw fit to seek a further application because there was the agreement and the tendency has been for agreed charges to continue on the basis on which they have originally started and every application of the Board of Transport Commissioners they have

excluded competitive rates and agreed charges. Of course, according to the agreement it is open to the railways to re-negotiate an agreement if they find the rates too low or they may terminate the agreement as provided under the terms of the agreement which you will find on the back of the page of this exhibit.

Q. Yes, I see that condition No. 6.

A. Yes, so that there was this element of uncertainty obtaining in connection with the competitive rates and the question of whether they would be re-established as of the opening of navigation, and also the element of further applications which might be made by the railways for further rate increases, so that there was a considerable inducement to the shippers extending from the so-called agreement.

Q. Well, now, what I was trying to do was see how directly the connection between water, possible, actual or potential water transportation and the negotiation of the agreed charges was concerned, how closely were they connected?

A. Very closely. If you look at the rate that was established to Montreal on September 21 from Charlottetown to Montreal you will notice it is the 50¢ rate; if you look at March 1st agreed charge, it is also 50¢, so the element of competition was a very important one. The railways themselves in entering agreed charges do so, as the evidence before the Royal Commission

on agreed charges shows, do so to meet competitive conditions.

Q. Well, by what was that competitive rate previously established, a seasonal rate?

A. It was subject to a terminating date so it would appear in the category of competitive rates, that is, when the competitive rates were published subject to a terminating date that puts it definitely in the category of a competitive rate.

Q. It was re-opened and you go on to the next period of navigation?

A. That is right.

Q. Were there many potatoes being shipped by water to Montreal, I mean, before the establishment of the competitive rate or agreed charge?

A. That information I cannot tell you because I never investigated it, other than the evidence that was given by Mr. Campbell to-day. There are certain features in connection with the movement of potatoes by rail that do not obtain in connection with potatoes by water. That is to say, you got a systematic delivery in reefer cars and so on, whereas, if you had a whole boatload going to a particular market the situation, finding storage space and so on, comes into play. However, there is a certain ---

Q. You mean the handling may be more expensive?

A. Well, not necessarily, but it is a question of getting storage space and so on and

striking the market, a large boatload at one time would have a depressing effect on the market, whereas with the cars coming into the yard, the handling of the quantity that is there ---

Q. The quantity that could be handled at the time?

A. Yes.

Q. In other words, there are certain ..... that the rail transportation has over boat transportation?

A. That is right, but there is a certain level will be reached when that breaks through. I might add that the competitive rates are also competitive rates and had been in existence for some time on potatoes to the eastern United States points, those have been in for quite a number of years so ---

Q. That is to say, instead of going by rail down to, say, Boston?

A. Yes, the Harlem River, New York, in these competitive rates in existence now to meet water competition.

Q. That would be a through bill?

A. That would be a through bill of lading?

Q. With a competitive rate to the point of destination?

A. Yes, the bill of lading to be issued by Canadian National Railways, Canadian Pacific Railways, Boston and Maine down through New York, New Haven, Hartford, to the Harlem River.

Q. Is there any possible way in which the

effect of the ocean rates from here to those ports, say, Boston, just in any kind of a bottom?

A. Yes, that is right.

Q. Is there any way of comparing the rail rates, the competitive rail rates from here to there with the agreed charge? You see what I am getting at?

A. Yes. For instance, your point is, what is the rate from here to Boston compared with the rate from here to Montreal?

Q. Yes?

A. I can give you that now if you like.

Q. I was just wondering if they are in any way comparable so water transportation might be a little keener?

A. Well, what is done there, I may be subject to correction here,but I do know last year there were shipments from here to Long Island by water. I have not got that rate, but there are competitive rates down there, and what the competitive rail rates are to these particular points we can get them for you, and what the rates were by water from here, we can get them for you.

Q. Could we leave it at that, that you will get them for us?

A. That is all right.

Q. Could you give us the difference between the rate from Charlottetown to Montreal and the rate by rail?

A. I have not got that information, I

do not know, but evidently the rate they put in was sufficient to take the traffic back to rail and preclude the movement by water.

Q. You do not know?

A. No, I do not know, but I would say it would be close to the competitive rate that the railways established allowing for the ---

Q. The tangible advantages?

A. Yes.

Q. But I take it that a water rate from Charlottetown to Montreal would be a negotiated rate for the particular ship?

A. That is right, it would not be a permanent rate like you file with the Interstate Commerce Commission in the States.

THE CHAIRMAN: Is there other traffic moving besides potatoes on that route? What about bacon, is there any bacon shipped to Central Canada from Prince Edward Island?

A. I would not know, sir. Generally speaking, if I may be permitted to make the observation, we are importers of bacon products.

Q. Prince Edward Island?

A. No, I am speaking of the Maritimes in general. Perhaps Mr. Cullen could give you that.

MR. MUNDELL: I was coming to that, I was wondering about all other commodities, what are the rates on other commodities, how do they compare with this rate from here to Montreal?

A. There are specific commodity rates ---

Q. Could I put it this way, you have a competitive rate on potatoes?

A. That is right.

Q. And there are other rates on other commodities?

A. Yes.

Q. Now, how do the other commodity rates as they are now compare with the agreed charge on potatoes, has there been any change?

A. No, there has been no change, there is relatively few commodities other than potatoes that move from Prince Edward Island to Central Canada in any quantity excepting fish and so on. Now, for instance, there could be a special rate on fish but offhand I could not tell you exactly how they compare with the agreed charge rate on potatoes.

Q. Well, transportation charges in the other commodities are not of any great significance?

A. Well, they sell the fish to Central Canada, it may be of interest but they go on commodity rates.

Q. How would they compare to the competitive rates?

A. I could not tell you.

Q. I was just wondering how it affects the potential of the water -- it was a potential threat that brought about this change?

A. That is right, although the history of our rates on potatoes from Prince Edward Island, back in the 1930's they were competitive rates

on the St. Lawrence River ports but this is a case where I think there has been a temporizing effect established by the water carriers on the rail rates as indicated in this particular exhibit.

Q. : Has your Commission made any general survey, particularly applicable to Prince Edward Island, to the possible effect of the Seaway?

A. As I said in Halifax, the last study we made was about 1940 and it was one of those general preliminary studies which included about the three Provinces in our jurisdiction at that time. I just forget now exactly what we did say about potatoes but there was a possibility that the conclusion I came to at the time with the opening of the St. Lawrence Waterway, there is a possibility we can take potatoes to the United States markets and interior markets of Canada at a lower cost, keeping in mind that whole area of Chicago, Lake Michigan and Lake Erie and the ports in the States, it is a possibility of opening up that traffic area.

Q. Sort of an extension of the market by, (a) you can get there, and, (b), it may be cheaper?

A. That is right.

Q. What class rate would potatoes go under if they did not have a commodity rate, do you know?

A. From Kingston, west of Kingston, up until February 11th, 1952, potatoes were generally the equivalent of the eighth class,

rates to Quebec and Ontario points east of Kingston -- Kingston and east thereof.

Q. By the way, there was one question I forgot to ask you on agreed charges, the party to agreed charges, is that the potato marketing Board who is the shipper?

MR. J.O.C. CAMPBELL: That is not quite correct.

MR. MUNDELL: I would like to find out how this ties back to the shipper.

MR. J.O.C. CAMPBELL: The Marketing Board on behalf of the shipper.

WITNESS: There was a meeting of shippers of various large dealers which was attended by the Manager of the Marketing Board and it was agreed at the meeting that the Marketing Board would sign on behalf of the potato shippers, sign for and on behalf of the shippers, of Prince Edward Island shippers.

MR. MUNDELL: For instance, I am a shipper of potatoes from Prince Edward Island, the Board has signed the agreement, how am I bound by it?

A. Well, as I understand, at the time it was ---

THE CHAIRMAN: You should be asking Mr. Campbell, not Mr. Matheson.

MR. J.O.C. CAMPBELL: I think your answer is a gentleman's agreement just to save the bother of having everybody sign.

WITNESS: It would have involved hundreds and hundreds of names.

COMMISSIONER WICKWIRE: As it turned out, there is only one person who has not been a gentleman.

MR. MUNDELL: That is a very good record.

MR. J.O.C. CAMPBELL: That is the point, Mr. Commissioner, in connection with the adjournment of the new agreed rate, when the Board sat here this summer the railway proposed a new agreed rate and the signature on the bottom is just Prince Edward Island Marketing Board, not on behalf of shippers, and one of the shippers -- I was his counsel -- objected on the ground of discrimination against him since there is not a one desk selling agency here now, and the Board just adjourned the matter until the situation becomes clarified. However, this is the way we say it was intended to be and the way it, in fact, is at the moment.

MR. MUNDELL: We have been dealing almost entirely with potatoes for the last little while, are there any other aspects of transportation in relation to Prince Edward Island that your Commission feels should be put before this Commission?

A. There is the fact that back in the early 1930's there was a regular common carrier service calling at Prince Edward Island ports carrying cargo between Great Lake ports and Prince Edward Island and going on to other ports in the Maritime mainland. That service that I mentioned in my submission is no longer in

existence so far as Prince Edward Island is concerned. There have been boats calling here spasmodically with cargo from the St. Lawrence area.

MR. MUNDELL: In general, you were here this morning when we had the discussion of the facilities in general, communication between the Island and the mainland is really, apart from occasional chartered vessels, confined to the railway?

A. In the most part, yes, that is the mainland -- that is right.

Q. That is all I have, sir.

MR. ARTHUR SIMARD: Mr. Chairman, may I ask a few questions?

THE CHAIRMAN: Certainly.

MR. SIMARD: You mentioned in your statement a few minutes ago that the railway could change the rate or terminate the agreement that they have with the group there?

A. Yes.

Q. Do the growers or the shippers have the same privilege?

A. Oh, yes.

Q. It is mutual, it works both ways?

A. Yes, three months' notice in writing from each party.

Q. Now, have you got, or, maybe it was put before the Board, the tonnage that is going to the St. Lawrence River, the tonnage of potatoes a year approximately?

A. That is by rail?

Q. Well, it is all by rail?

A. Yes, that information could be obtained from the Department of Agriculture of the Potato Marketing Section. I have not got it here.

THE CHAIRMAN: Federal or Provincial?

A. The Federal Government, they have extensive statistics covering the exports to the United States.

MR. SIMARD: When you mentioned 50¢, 65¢ and 77¢, is this the different rail rates depending on the in season and off season?

A. Yes, we were taking Toronto as an example, Charlottetown to Toronto, the March 16, 1953, rate set at 73¢, which was the rate which was in effect until September 21, 1953, when the railways put in the competitive rate.

Q. And it was reduced to 65¢?

A. It was reduced to 64 as a competitive rate, and an agreed charge basis to Toronto it became 65¢, a cent higher, but that was brought in in relation to the one shown, that was part of an over-all agreement. If you will notice from Souris to Toronto it was 66¢, when it was 64 from Charlottetown, so it was an average.

Q. But this is deposited with the Commission, this statement is in the hands of the Commission?

A. Oh, yes, it is an exhibit.

Q. 65¢ per hundred pounds?

A. That is correct.

Q. So that would be between $13 to $14 a ton?

A. I have not calculated.

Q. Depending if it is a short or long ton, $13 a ton was a short ton?

A. Yes, well, $13 a ton.

Q. I think from the statement I heard that the railway established their rate on an arbitrary basis while the water rates are based on cost and when water rates are established the rail rates come just under and that is why they have the whole transportation, or am I wrongly impressed?

A. No, I would not want to get into a discussion as to how they establish the rates when they come down to agreed charges and they get down below their so-called normal rates they may take the cost of operation, I think they make special studies to determine what their cost of operation is. They will then work out what would be there to contribute to the all-inclusive cost.

Q. But the fact after the St. Lawrence Seaway is through, when bigger ships will be able to go through the locks, if you have ships of say 5000 tons at about $13 to $14 a ton, I know a lot of shipping companies who would be very interested in signing an agreement with the potato growers.

THE CHAIRMAN: In reference to that question, are ships of 5000 tons much used in the carriage of potatoes? Do they not magnify

the difficulties of potato transportation to which you refer?

A. There could be a bad impact on the market if a boat arrived in Toronto with 5000 tons of potatoes, it could have an impact on the market, and there are other factors to take into consideration in connection with the marketing procedure.

MR. SIMARD: Thank you very much.

THE CHAIRMAN: Thank you, Mr. Matheson.

MR. J.O.C. CAMPBELL: In the hope that we might finish this morning with the West Point Ferries, perhaps I might file these two exhibits without calling a witness. These are just in answer to your lordship's query in respect of export of meats particularly, but they represent for 1953 and 1954 the total imports and exports -- of course, it is only the exports your lordship was interested in -- from Prince Edward Island of full carloads by rail. The figures are given for each month and, for instance, in meats in 1953, the export of full carloads of meats from Prince Edward Island was 249 cars, and in 1954 we exported meats, 318 cars; in 1953 we imported 160 cars of meats, and in 1954 we imported 194 cars of meats. The export of meats, I understand from Mr. Rogers, are almost wholly those of Canada Packers. The livestock item which is also shown on both sheets, for instance, exports in 1953 of livestock was 957 cars, and in 1954 livestock, 1064 cars. They

are largely composed of exports to Swifts. Swifts do not have a packing house in Prince Edward Island, whereas Canada Packers do, so that the livestock is exported to Swifts and the meats are exported, processed by Canada Packers.

THE CHAIRMAN: Exhibit No. 40.

---EXHIBIT NO. 40: Two sheets showing imports and exports of Prince Edward Island for the years 1953 and 1954.

MR. J.O.C. CAMPBELL: These are just exports to other parts of Canada, Mr. Chairman, they do not include exports to outside points. With that the case in connection with the Government of Prince Edward Island is concluded.

THE CHAIRMAN: Thank you. You are also appearing as counsel for the Ferry group?

MR. J.O.C. CAMPBELL: Yes.

THE CHAIRMAN: Very well, put it in.

WEST POINT FERRIES LIMITED

MR. J.O.C. CAMPBELL: In this case which I approach with some diffidence, Mr. Chairman and members of the Commission, because on the strictest and general rule the question of West Point Ferries as with the Parrsboro case might be considered to fall without the terms of the Commission's reference, and yet I am not sure that to inquire into and report upon all the questions within

the jurisdiction of Parliament, including questions with respect to Part 13 of the Canada Shipping Act and upon relevant matters which may in the course ofthe inquiry arise or develop and which in the opinion of the Commissioner may be included, it seems to me that the Commission has a wide discretion. Perhaps I cannot introduce the subject of the West Point Ferries in any better manner than by reference to a remark of the Honourable Mr. Cullen a few minutes ago when he remarked to the Commission that he was unable at any time to secure a subsidy on a vessel plying between Prince Edward Island and Newfoundland. I at some relevant time was Deputy Minister of Industry of this Province and afterwards Deputy Attorney General and had somewhat to do with the applications for subsidy of this Eskimo boat Mr. Cullen mentioned and opened that Newfoundland service. I was instrumental in securing that boat, at least, I was the person that had to do the paper work in connection with it. I recall, in approaching the Maritime Commission, their reluctance, as Mr. Cullen recalled it before this Commission this morning, to talk subsidy or to consider the matter of subsidy, and it was not only from the aspect that he mentioned this morning, competition with the Canadian National Railways, but I did find this, Mr. Chairman, and this is perhaps wherein I beg to have the case of West Point Ferries considered by this Commission, the moment that we mentioned to the Maritime Commission the possibility that we

would need a boat built to carry on the trade between Prince Edward Island and Newfoundland and that we would need this boat from time to time repaired in Canadian shipyards, we discovered a change of attitude in the Maritime Commission, that is, it did not become an overt thing, it never finally developed, but reading between the lines the late Premier Jones and I have found that the Maritime Commission was intensely interested in keeping alive and fostering the shipyards of Canada and the wages of the men therein employed.

So, it seems to me that underlying your lordship's instructions and terms of reference, underlying those, as the Chief Justice of Prince Edward Island put it in a judgment recently in a case which I had before him where counsel on both sides had agreed to overlook the legality of a statute under which we are arguing, both sides accepted the statute as intra vires, his lordship then said that the Court must pierce the cellophane curtain and, looking at the statute, he adopted an argument which had not been used by counsel at all, and, so, it seems to me, with due respect, Mr. Chairman, that your Commission must pierce the cellophane curtain surrounding the terms of reference and if we do we find in the same way that the Government of Prince Edward Island found when it was dealing with Newfoundland trade, a desire on the part of the Government of Canada to foster and help and possibly endeavour to change from red to black

the figures in the ledgers of Canadian shipyards. If this is so, this Commission, I submit, finds itself not only in the position of a judge with regard to the exact terms of reference, but it finds itself in a position of a physician seeking to, if possible, find some means which are relevant in its position and which may arise in the course of the inquiry, some means of a cure for what would appear to be an ailment of not enough work for our Canadian shipyards and our Canadian shipyards' workmen. If this is so, then any proposition such as West Point Ferries, which would inevitably result, if not in the building of a ship in Canadian shipyards, then in the remodelling of a ship purchased elsewhere by Canadian workmen in Canadian shipyards and in the repair and yearly upkeep of such a ship in the same shipyards. However, in my opinion, this would not itself be enough, because then the members of your Commission would find themselves, it would be a great thing to have lots of ships, needed or not, so that attached to such a consideration as I have just mentioned the Commission would require to find two things, first, that such a ship was needed and, second -- that is the basis of need -- secondly, that the ship on such a service is indirectly the responsibility of the Federal Government. Those two points must be established before this Commission, it seems to me, could be of opinion that it was a matter relevant to the course of their inquiry.

Now, I submit that both those matters are met and can be established in the case of West Point Ferries; the need I propose to establish by a witness, Mr. Peter M. McCaull, and that the service is a part of the responsibility or implied responsibility of the Federal Government I think does not need proof. Prince Edward Island is the one Province of Canada -- well, perhaps I should not say the one, because British Columbia did also have its special term with regard to communication with the rest of Canada, the term of building the Canadian Pacific Railways, but British Columbia was already physically a part of Canada, it was attached to Canada if railways had never been thought of and if motor cars had been thought of British Columbia would ultimately have been completely connected to the rest of Canada, but Prince Edward Island was named, at the time of Confederation, the only Province of Canada which was insular in its geographic position, and with Prince Edward Island the Government of Canada entered into a special contract which is found in the Queen's Order-in-Council made pursuant to the British North America Act whereby we entered into Confederation in 1873. One of the terms of that Order-in-Council is that there will be continuous communication, summer and winter, between Prince Edward Island and the mainland, paid for by Ottawa. That, Mr. Chairman, would have perhaps been satisfied or fulfilled by the establishment of

the car ferry service at Borden, between Borden and Tormentine, had the Canadian Government not seen fit to entrust the operation and management of the car ferry between Borden and Tormentine to the Canadian National Railway Company. However, they did so entrust it and in the result we had a very sad experience during the railway strike, an experience which brings out the difference that I have mentioned between Prince Edward Island and British Columbia. British Columbia was not cut off, British Columbia could move its goods by truck, but Prince Edward Island was completely isolated.

THE CHAIRMAN: Move its goods from where to where by truck?

MR. J.O.C. CAMPBELL: Well, I assume the mountains are too steep.

THE CHAIRMAN: It would be high adventure taking trucks over the mountains and into the Prairies. That is done sometimes as a feat but ---

MR. J.O.C. CAMPBELL: I was not making an odious comparison, but British Columbia had a term of building a railway and we had a term of continuous communication. The intention was the same, the term of continuous communication under which we entered Confederation was this, that so far as it was within the power of the Federal Government, Prince Edward Island was to be annexed to the mainland, not that they would necssarily build a tunnel or bridge or have 50 ferries, but it should be interpreted in the ordinary way in which

all contracts are interpreted, that they will be reasonably annexed to the mainland for continuous communication.

Now, as I say, at the time of the strike I do not know what happened in British Columbia but I do know what happened here, because I spent my days and nights at the Wood Island Ferries, for several days and nights we sat up, we took the power, whether we had it or not, to search cars and see whether it was necessary that they go across. We took to ourselves power by Order-in-Council without having statute to put cars off the boat and turn them back and so on. There was one amusing incident, I found one car that I turned back from crossing on the Wood Island Ferry consisted of a man and his wife on holiday because he was one of the strikers at Borden and he did not have anything to do for a few days and he drove down to cross on the ferry. We were limited, here the only means of communication except by air, and you cannot bring boots and shoes by air, just the most important things would go by air. Now, the point I am making is this, that by reason of the entrusting of the ferry at Borden to the C.N.R. we are subject to that possibility again. It has already happened, and I say that the Wood Island Ferry is not by any means, by any stretch of the imagination, a furnishing by Canada, it only furnishes a subsidy, but it is not by any stretch of the imagination a furnishing of continuous

communication, because continuing communication means strike or no strike and, therefore, Canada does not do it. Now, I think I have an uphill job here.

THE CHAIRMAN: I am afraid you have. Suppose this ferry was established and operated by the Dominion of Canada, not by means of subsidy but direct, it is inevitable that the labour on that ferry would become unionized, and if they did not, it is the only case I have seen where they did not unionize and, suppose they strike, what are you going to do, have Cabinet Ministers go down to look after it? I think your reasonable communication, if there are such instances as strikes or, say, severe storms, there cannot be any breach of the covenant considered as a result of that.

MR. J.O.C. CAMPBELL: Well, my lord, Prince Edward Island has certain legislative powers, the Parliament of Canada has certain legislative powers, Prince Edward Island exercises its legislative powers to make strikes illegal, Canada, to honour the terms of its bonds under our terms of Confederation must, it seems to me, exercise such powers, legislative or otherwise, as are available to it to make it illegal to have a strike on the car ferry between Borden and Tormentine and, therefore, I think that your lordship's Commission, looking upon this irrelevant matter which connects Prince Edward Island with Canada, finds therein a matter relevant to the scope of your inquiry because it covers two things which I have said, it is a duty of Canada

and there is a need.

Now, perhaps if you would consider sitting for five minutes Mr. McCaull could be heard.

THE CHAIRMAN: Oh, certainly.

PETER M. McCAULL, called.

MR. J.O.C. CAMPBELL: Q. Your name is Peter M. McCaull?

A. Yes, sir.

Q. And you are a merchant at Ellerslie?

A. Right.

Q. And you are one of the directors of the West Point Ferries Limited?

A. I am the president.

Q. Now, when was West Point Ferries Limited formed, Mr. McCaull?

A. Back in 1949.

Q. Your brief is No. B29 in Volume 1, and the company was formed when?

A. 1949.

Q. And that appears in your brief?

A. I think so.

Q. At all events, some years ago with the object in view of -- would you just describe it in your own words?

A. Well, the object of the West Point Ferries was to give the western part of the Province which has been referred to a number of

times as the forgotten part of Prince Edward Island, you might notice that when they are talking here they are talking to Charlottetown and Summerside. We are west of Summerside about 50 miles or more and it is quite a large producing area, that part of the Province, it is considered very productive, and in the fall of the year we are handicapped in our transportation of potatoes and livestock in that area. It is more or less of a bottleneck from Summerside to Borden and we in the western part have great difficulty in getting reefer cars for potatoes and cars for shipping livestock. We are generally at our wits' end during the shipping season. However, from West Point to Buctouche is very similar to the distance from Wood Island to Carriboo, Nova Scotia, and we feel as time is progressing that that part of the Province should have a ferry service whereby we can use trucks to a great extent during the rush of the fall to market our produce. Moncton being a centre of the Maritimes, from West Point we would be about 75 miles nearer Moncton than Wood Island coming by Borden. We feel that it is a great necessity in that part of the Province to have a ferry from the standpoint of delivery of produce and we do import a good deal of coal whereby trucks going over there with produce would not be coming back empty, they could be loaded and make the return trip.

We must take into consideration the tourist industry which means a great deal to Prince Edward

Island. It has developed greatly in this part of the Province east of Summerside, but very little development has taken place west of Summerside, because we have not communication with the mainland west of Summerside. That is another very important aspect and we feel that it is a real necessity and it would be a great improvement to that part of the Province.

Then again, as our communication with the mainland, as outlined by Mr. Campbell, under Confederation we consider that part of Prince Edward Island has not had a fair deal under the terms of Confederation.

Then again, we get down to dollars and cents. If we have a ferry there it means boats, and boats need repairs, and refittings, and one thing and another, which will in turn bring work to our shipyards and our ship maintainers.

MR. J.O.C. CAMPBELL: If I might have one word at the conclusion of this case, just before we have lunch, if I just might lay my cards on the table with respect to this West Point Ferries case. A precedent for mention of it in the Commission's findings is the mention by the Turgeon Commission of the two zone application before the Turgeon Commission, the Transportation Commission. We asked the Commission to recommend that the two zones be abolished and one zone be put into effect. The Commission's finding was that that did not come within its terms of reference but it very

graciously, in the same manner as your Commission has done, heard evidence, and in its findings it put a sentence something like this:

"We find that this matter does not come "within the terms of our reference but in "our opinion it would be an excellent thing "to be done."

Now, if we could have such a sentence, Mr. Chairman, I am putting myself entirely in your hands and throwing my case upon your discretion, if some such sentence -- I realize it will not be perhaps a matter on which you will care to make a recommendation, but if it might be mentioned by the Commission in its findings, the West Point Ferries Limited would be very grateful.

COMMISSIONER WICKWIRE: I just have one small question, Mr. McCaull. Would the establishment of such a ferry play havoc with the agreed charges?

A. I feel not, the precedent to that I think is shown in what happens in Borden. Take a comparison with the Borden ferry and the Wood Island ferry.

Q. Would it have an effect or not?

A. No, the Wood Island ferry has been a boon to the Borden ferry, it has built it up.

MR. GERIN-LAJOIE: Mr. Chairman, I have a couple of questions I would like to ask Mr. McCaull or his counsel. If you look at the terms of union of Prince Edward Island, you will see, as Mr.

charges.

Campbell pointed out the Dominion Government shall assume and defray all charges for services and, among others, the efficient carriage of mails and passengers.

I wonder if Mr. Campbell is aware of any judgment of any tribunal in Canada or in Britain that would have interpreted this phrase as including freight as well as passengers and mails?

MR. J.O.C. CAMPBELL: Yes, I am aware of such a decision. I have not the citation at the moment but at all events the British North America Act, as you know, has said to be -- we do not need to cite a case, it must be read in the light of existing conditions. Now, for instance, if my friend had gone on and read:

> "Thus placing the Island in continuous
> "communication with the inter-colonial
> "railway and the railway system of the
> "Dominion."

That is all they thought of, there were no motor cars in 1873, but it is well known that the law, the British North America Act must be read in the light of existing conditions and changing conditions and one eminent judge, I have forgotten who he was, refers to the boundless changing of

conditions, so applying the boundless changing of conditions aspect I would say this means placing the island in continuous communication with the colonial railway and all the roads of Canada. It has been recognized, at least it has been urged by Prince Edward Island for many years and it has been in dispute at least by the Dominion Government that the meaning of "continuous communication" is that we shall have what is as near as possible a bridge between the two.

MR. GERIN-LAJOIE: I would like my friend to understand that I did not intend to labour this point at all, I just wondered if he was in a position to point out any specific decision on this particular phrase.

MR. J.O.C. CAMPBELL: There is a well known one, but I cannot give it to you at the present time.

MR.GERIN-LAJOIE: I wonder if Mr. Campbell or Mr. McCaull could tell the Commission what the West Point Ferries is asking for, is it a subsidy or is it a direct service operated by the Government with which the West Point Ferries Limited would have nothing to do, or what is their recommendation to the Commission?

MR. J.O.C. CAMPBELL: I think perhaps I should answer that, too. I think that is contained in my request of a month or two ago. I think that this Commission, if it went about the country and found out how many people wanted subsidies you would be sitting for many years to come. We

would, as I say, owe this Commission undying gratitude if we were mentioned by the Commission in a favourable manner, we would be able to use that. We were able to use that paragraph of Mr. Turgeon's, although it was not a finding, we used it afterwards.

COMMISSIONER BELANGER: Is there any docking facilities at the moment at West Point?

A. Yes, there is a wharf there but there would have to be some work done, but it has been surveyed and it was recommended by a Commission back in 1949. I might say at the present time when this thing was organized first it was the idea of the West Point Ferries to inaugurate the service, but to-day the demand has grown so large that it is beyond ourselves and we are just acting for the whole of that part of the Province. If this was put through it would be a service operated by a Commission appointed by the Government, it would not be operated by the West Point Ferries as we see it.

COMMISSIONER BELANGER: You do not have any idea about the cost of providing for docking facilities and so on?

A. No, we do not.

MR. J.O.C. CAMPBELL: You at one time inquired about a ship?

A. Yes, at one time we went so far as to make a deposit to buy a ship, but at that time it was impossible to get the money out of the country, it happened to be an American ship and we were unable to go through with the deal.

Q. Do you recall the purchase price of the ship?

A. No, I do not, I have only been president of the company -- our president that did most of the work on this passed on a few years ago and I have only been president for a couple of years and it has been more or less a dead issue, but we are reviving it again with a view of getting recognized as a very great necessity for that part of the Province, and from there we will go on to the Dominion Government.

COMMISSIONER BELANGER: I notice you have given us some ideas of the tourist trade and the movement of goods, but did you make any special survey in order to draw up a kind of budget of revenue and expenditures?

A. No, we did not get that far. Of course, at that time the idea was that we would operate it and it would be subsidized by the Dominion Government, but that has gone beyond us now.

MR. GERIN-LAJOIE: Mr. Campbell, can you tell me if I am right in understanding that under the present agreement on agreed charges the potato growers and dealers in this Province would not be allowed to use the new ferry, the proposed one in your brief, for the shipment of their potatoes?

MR. J.O.C. CAMPBELL: Oh, that would be correct, they must ship by rail to Canadian points, those points listed in the tariff.

MR. GERIN-LAJOIE: Thank you, Mr. Chairman.

COMMISSIONER WICKWIRE: That is a question I asked Mr. McCaull and he said it would have no effect at all.

MR. J.O.C. CAMPBELL: It would affect them, they cannot ship by Wood Islands now and they could not ship there then.

A. I would like to interject that a lot of carloads could be done at Buctouche and shipped from there.

MR. J.O.C. CAMPBELL: No, you could not ship from Prince Edward Island.

A. I see.

Q. But it all goes by rail now anyway.

THE CHAIRMAN: That appears to conclude the hearings in this Province, and may I thank counsel for their co-operation in this matter and also the witnesses. All of this will have to go back to Ottawa and be pondered by us before we come to any conclusion. Thank you, gentlemen.

---Whereupon the Commission adjourned.

ROYAL COMMISSION ON COASTING TRADE

Volume 4

Report of Saint John, N. B.
Sessions

Commencing August 8, 1955

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ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Saint John, New Brunswick, commencing Monday, August 8,1955, at 2.00 p.m.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W.F. Spence.

Mr. W.N. Wickwire, Q.C.)
) Commissioners
Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.)
) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp — Economic Adviser to the Commission

---Mr. P. Cimon — Ass't Secretary

THE CHAIRMAN: I understand, Mr. Mundell, you have a witness available from the Maritime Commission?

MR. MUNDELL: Mr. Rand Matheson is here and I believe he is calling a witness.

THE CHAIRMAN: Yes?

MR. RAND H. MATHESON: My lord, members of the Commission, I stated in Halifax when our brief was presented, it is submitted by the Maritimes Transportation Commission on behalf of the Provinces of New Brunswick, Nova Scotia and Prince Edward Island and with the approval

of the Province of Newfoundland to the extent their brief and our brief is in common. It is not necessary for me to stress our presentation any further than I have already done. There is appearing with me to-day Mr. Colin McKay, Past President of the Maritime Lumber Bureau and presently Chairman of the Transportation Committee of that Bureau.

COLIN McKAY, called.

MR. McKAY: I have really nothing more to add to this brief that was put in by the Transportation Commission except to say that it is fully supported by the Maritime Lumber Bureau which represents the lumber trade of New Brunswick and Nova Scotia, and I was asked to appear and endorse this brief. If you or counsel would like to ask me any questions I would be very pleased to answer to the best of my ability.

THE CHAIRMAN: Thank you, sir. Mr. Mundell?

BY MR. MUNDELL:

Q. There are a few questions I would like to ask but I am not sure whether I should ask you or Mr. Matheson.

A. Well, we are both here.

Q. One matter I am sure the Commission will wish brought before them is a description of the existing coasting trade as it exists now,

and I am not sure whether you are prepared to speak to that or whether I should ask Mr. Matheson.

A. Well, the figures are shown in one of Mr. Matheson's appendices here.

Q. Firstly, may I put it this way, what scheduled coasting lines are there?

A. You would have to ask Mr. Matheson that.

Q. I will leave that. Then, you were past president of what?

A. Maritime Lumber Bureau.

Q. Could you outline to the Commission the importance of the coasting trade to your organization?

A. It is rather difficult at the moment, the coastal trade, of course, as far as the Bay of Fundy goes, is very slight, there are a few small boats travelling up and down, as far as the lumber trade goes, to the St. Lawrence, Montreal and that area, and it would apply more broadly to the pulpwood trade. There was quite a lot of these commodities starting to move from the North shore of New Brunswick and the lower St. Lawrence up the St. Lawrence to Montreal and through to the Great Lakes in the thirties. However, that was pretty well interrupted due to the last war, it showed signs of coming back again when the Korean War started, and that shoved the demand for bottoms up and it has shown signs of coming back now. I should say it is very necessary for some of the pulpwood people and lumber, it is certainly going

to be a great help getting their commodities into Montreal principally and further west if the wood can be lifted economically or as cheaply as possible by water instead of rail.

Q. I forgot to ask the preliminary question, what is your organization?

A. At the present time on the rolls I think are 127 manufacturers with some brokers and agents all in Nova Scotia and New Brunswick.

Q. What are their businesses?

A. Manufacturers and producers of long lumber and brokers who handle lumber and some of the brokers do quite a business in pulpwood too.

Q. Then, you were mentioning a movement that was developing up the St. Lawrence during the thirties that was interrupted by the war, what type of vessel was carrying it?

A. Small packets and some of the pulpwood moving in ships very much in the nature of lake steamers, Great Lakes.

Q. Would they have Canadian registry, United Kingdom registry, or have you any idea?

A. I should imagine most of them were Canadian at the time but the United Kingdom were coming in. I would not be sure of that, I am not speaking under oath on that.

Q. Your best information?

A. United Kingdom were coming in and they were looking to the possibility of building small ships for coastal trade.

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Q. That trade would come from the north shore of New Brunswick?

A. Yes, the Gaspe, through the St. Lawrence there is a good trade working up there. It is rather difficult at the moment to say a thing like that, although trade, the trade down here to Central Canada started to look up a lot about two years after the cessation of hostilities in Europe. When the Korean War came on and the demand overseas started up again, Great Britain and Europe were paying higher prices for wood and they were drawing it to the off-shore markets. It is coming back very quickly. In the last month or so Ontario and Quebec are looking for wood.

THE CHAIRMAN: I came in across the end of the Strait at Dalhousie a couple of weeks ago and there was a Paterson boat loading in Dalhousie. Would that be headed up through the Gulf and up the St. Lawrence River?

A. Loading with pulpwood?

Q. As a matter of fact it was not actually loading, I think it must have tied up when the ferry arrived.

A. I could not tell you, I could not answer that question, it might have been going overseas or ---

Q. Can Paterson boats go overseas?

A. They have been doing quite a trade there, I would not say from Dalhousie particularly but there has been a lot of lumber from the north

shore going over to Newfoundland, it may be loading for Newfoundland, I could not say definitely.

MR. MUNDELL: Q. When do the members of your Association normally do their marketing?

A. Largely a question of markets, who is paying the highest price. I should say over the last few years as far as long lumber in the Maritime Provinces is concerned probably 40% to 50% was local, and of the balance about one-third to the United Kingdom, one-third to the Canadian market and one-third to the United States market.

Q. By the Canadian market you mean up the St. Lawrence?

A. Yes.

Q. How is it moved?

A. By rail, though there is a tendency at the north of the Province to start moving by truck.

Q. Could you give an idea of how much is not used locally?

A. It would run 300,000,000 feet a year.

Q. Outside the Province?

A. When you say outside the Province you mean to Quebec and Ontario?

Q. I was going to start with the figure of outside Canada, and when you said one-third to the States, one-third to the other Maritime Provinces ---

A. The sales to Great Britain shown by the Board of Trade of last month showed 120,000; 240,000,000 was Canada, about 40% of that I should

Judge would be from the Ottawa Valley District, white pine and things like that, and the balance would be from Quebec East.

Q. You are talking about million board feet, are you?

A. Yes.

Q. So, in a sense, exported from New Brunswick ---

A. When you are talking about exporting you are talking about outside of Canada?

Q. No, export from the Provinces, from New Brunswick?

A. From New Brunswick alone?

Q. Yes.

A. Roughly 300,000,000 manufactured in New Brunswick, of which probably 175,000,000 are shipped outside of the Province. I cannot give you the accurate figures.

Q. Could you give us an idea of the value of that?

A. It would be $12 million at the mill.

Q. At the mill?

A. Yes, that would allow for normal additional costs of freight, loading on the cars and so on.

COMMISSIONER WICKWIRE: Is that the value of 175,000,000, or is it 300,000,000?

A. 175,000,000, sir.

MR. MUNDELL: How do you ship, f.o.b. or prepaid freight, or does that depend on the individual transaction?

A. You get the best price you can, it varies on almost every sale.

Q. What I am trying to arrive at is, if you could give us the actual cost of transportation that is to be added to the f.o.b. mill price, say the average in all markets?

A. Oh, I could not tell. Shipping rough lumber to Toronto to-day, the freight would be roughly, on partially dried stock, $18 a thousand, to Montreal it would be about $15.

Q. What is the value on the rough lumber?

A. Over-all it would be about $60.

Q. F.O.B. mill for rough lumber?

A. Yes.

Q. How much was the transportation charge?

A. It depends where you go, $15 to $20 wherever you go.

Q. In Toronto?

A. For rough lumber about $18 a thousand, according to weight. You have a 59¢ weight from this district, 60¢ is $18, about $78 or $80.

Q. To Toronto?

A. Yes.

Q. So $18 is transportation?

A. Yes.

Q. What would be the corresponding laid-down value in Montreal?

A. About $3 less.

Q. That is taken out of the transportation?

A. Yes.

Q. Now, I am getting this considerably out of order, I will try to make it clear. Out of the 175,000,000 feet exported from the Province you said I think one-third to the United Kingdom?

A. Roughly.

Q. And one-third to the United States and one-third to ---

A. Yes, that will vary as according to markets. It just happened that early this year the bulk of the stock was, the much larger production of stock was going overseas because they were paying higher prices, which is the reason why the Canadian market went up.

Q. That is a good average?

A. Yes, a good average.

Q. So, that would be around 55,000,000 to 60,000,000 feet is the average amount shipped to Canada, and you have given us the Montreal price and the Toronto price with the transportation?

A. Yes.

Q. That is how it stands. Have you any information on that as to what it would cost if you shipped by water?

A. I am afraid I could not answer that, I need to get some figures and work on it. I see your point. Then again, as I said when I started previously, it is hopeless because you

have to go around Nova Scotia, if we had the canal it would be all right. When you are loading from Nova Scotia it is pretty high when you get to the Bathurst area. Trading into Montreal would be much cheaper than by rail, but then any of these mills along the Bay of Chignecto in normal times would ship much cheaper to Montreal than by rail.

Q. You cannot give us any figures?

A. No.

Q. That is your experience?

A. That is our experience.

Q. What is the significance? Do you attach any special significance to the fact that a mill is not on the seaboard and you have to ---

A. All the mills used to be at the seaboard but as time goes on they go further into the woods.

Q. But the additional would just be a short run?

A. Yes, and with the development of the motor truck it is not as serious as before when the roads were not built up.

Q. Have you made any study of the possible effect of the Seaway on this movement?

A. The St. Lawrence Seaway?

Q. Yes?

A. It is a very rough study, I have given it a lot of consideration. The trouble with the study is you have no figures to study. I do not mean with my own firm, it has a certain amount of business here in white pine from the Ontario

districts, we are already trying to get it out of Lloyd's, the cost of loading on the Great Lakes ports.

Q. I am thinking of the coasting trade from here to Central Canada or vice versa?

A. Well, yes, if you have a firm here, again we are out of the picture, but in Nova Scotia or any place else shipping commodities from Newfoundland ---

Q. I am just asking about the Seaway?

A. But the competition coming down the Seaway to Newfoundland or Halifax ---

Q. I am not making my question clear, I am thinking of your own business shipping up river?

A. That is produce going down there, if you have produce going down there and you can load that with lumber or coal to come back again you are going to have much cheaper rates on a two-way voyage than on one.

Q. You are quite right, so you would expect, what would your expectation be as a result of the Seaway coming in with regard to possible shipping of lumber?

A. That is a very general question, I am making a very general answer, the cheaper you can make facilities of trade the more trade will be done.

Q. You think there will be a development?

A. Well, if there is not, you might as

well not build the Seaway.

Q. But you have no figures you can give us?

A. I have no figures, it is going to happen ten years in the future.

Q. I think other questions we have in this connection can be answered by Mr. Matheson. Thank you very much.

BY COMMISSIONER WICKWIRE:

Q. Mr. McKay, is there any way you could break down the proportion of the lumber that is shipped to the Montreal and Toronto market into the Bay of Fundy shore and the other ports of New Brunswick, the north shore and the eastern shore?

A. I could not, sir. I mean, I could not and give you any figures to rely on. Again, it is a matter of markets. I do not know whether you know who I am or not, but I am the McKay Lumber Company and our business is largely overseas, we did a tremendous business in Toronto and Montreal up to three years ago and the markets overseas went up and I have sold more lumber in Montreal in the last three weeks than I have shipped in the last three months.

THE CHAIRMAN: This generally comes from Nova Scotia?

COMMISSIONER WICKWIRE: And to supply that market, is it from the Bay shore of New Brunswick or ---

A. It would be the inland mills more.

Again you have the competition, the tendency, the nearer the mills are to the seaboard the more chance of that going overseas and the further they are inland the more chance of it going to the central markets.

Q. Would it be fair to say that lumber that is shipped in the St. Lawrence Waterway now from New Brunswick comes chiefly from the north shore?

A. Chiefly from the north shore.

THE CHAIRMAN: Thank you very much, Mr. McKay.

RAND H. MATHESON, called.

BY MR. MUNDELL:

Q. Mr. Matheson, I think you have a fairly general idea of the information that we would like to have you put before the Commission dealing with this present pattern of coasting trade in the Province and in relation to other parts of Canada. I wonder if you could possibly put a little flesh and blood on the statistical bones you have in your brief?

A. The general pattern, the development which has taken place corresponds somewhat with that in Nova Scotia. In the 1930's we had regular inter-Provincial steamship service operating between the Great Lake ports and ports in the

Maritime mainland provinces. These regular services were not re-established after the termination of the war. There are, of course, in the Bay of Fundy, the subsidized service, the mainland operation and, of course, the Saint John-Tormentine.

Now, in so far as the traffic loaded and unloaded at ports in New Brunswick, I refer you to statements Nos. 18 and 19 as per this Commission's brief. Loaded in the Province of New Brunswick for the year ending 1953 there were 219,418 tons carried by coastal trade; unloaded in that same year, 573,848 tons. Now, I refer you to Exhibits Nos. 26 and 27 or, rather, statements 26 and 27 wherein is set forth the commodities that were loaded and unloaded. Exhibit No. 26 shows pulpwood, lumber, timber, logs, other manufactured wood products, paper, paperboard, pulpboard and wallboard and so on down the list. I should point out, however, that in respect to these loaded figures, it includes also the traffic carried on the Princess Helene between Saint John or from Saint John to Digby. Actually, as I stated before previously in my evidence, this, in my opinion, should be looked upon more or less as rail traffic, excepting that traffic which originates at Saint John and terminates at Digby. In statement No. 27, of course, is shown the unloaded and it totals, as already stated, 537,848 tons. In statements 31, 32, 33 and 34 there are set forth the arrivals of United Kingdom registered vessels at Canadian

ports with cargo from other Canadian ports by Provinces for the year 1953. You will notice that the number of arrivals at Newfoundland ports from New Brunswick ports, for instance, would total 24; New Brunswick ports from Newfoundland ports, two; New Brunswick ports from British Columbia ports, one. In statement No. 32, the departures of vessels in United Kingdom registry shows from Newfoundland ports to New Brunswick ports two; from New Brunswick ports to New Brunswick ports, one; from New Brunswick ports to Newfoundland ports, 15; and from British Columbia ports to New Brunswick ports, one.

In statement No. 33 we have British West Indies arrivals at Canadian ports with cargo; Newfoundland ports from New Brunswick ports, six; at Quebec ports from New Brunswick ports, one. In statement No. 34, from Newfoundland ports to New Brunswick ports, one; from Nova Scotia ports to New Brunswick ports, one; and from New Brunswick ports to Quebec ports, two.

At the present time there are no what you might call common carrier, regular common carrier services operating between New Brunswick ports and the Great Lakes -- St. Lawrence River ports, they have been spasmodic calls. A vessel on a regular common carrier service plying between Great Lakes ports and Newfoundland are known to have called at ports in New Brunswick to pick up cargo for the Great Lakes. Now, that is more or less a summary of the situation regarding the coastal

trade in this area.

Now, the question arises in respect of Saint John, the rail service between the St. Lawrence Waterway and Great Lakes area to Saint John, if you will notice in statement No. 13, from Montreal to Saint John the rail mileage is 488 viz-a-viz 1,438 statute miles by the Cabot Strait to Saint John from Montreal. The services by rail, the time for carload freight from Montreal to Saint John is approximately, I would say roughly, three days; the Canadian National Railways published schedule says four days, but that involves routing around by Moncton and coming into Saint John. Then, if you take four days roughly from Montreal to Halifax by water and with the extra distance from Halifax to Saint John, roughly 354 miles would involve at least, say, a 12 knot boat, something around 30 hours sailing time, so you have five and a half days minimum for water transportation from Montreal into Saint John viz-a-viz roughly three days by rail. Now, when conditions are buoyant that certainly stresses the intangible disadvantages of water carrier to a point like Saint John for coastal services and that, along with competitive rates, for instance, in connection with sugar, which constituted the bulk of the return traffic by the common carrier services from Halifax and Saint John to the Great Lakes and St. Lawrence River ports in the 1930's, that traffic is, I would say, more or less lost to the coastal service in view

of the fact that the railways have consistently maintained competitive rates on sugar from Saint John. In the meantime, of course, the Halifax Acadia sugar has been closed out, so with the existence of competition of the rail carriers both in time and the rates, they have had a very compelling influence in connection with the re-establishment of the coastal services that existed in the 1930's. I might add also, to supplement the picture, there are regular truck services now operating between Saint John, Moncton, Fredericton and Toronto, Hamilton and Montreal, a regular scheduled truck service, so we have another element that has come into the picture. On the other hand, we take the north shore of New Brunswick and down to Moncton you have the same comparative situation with Cornerbrook and it is a question that arises then, the rates come too high, rail rates and all the other factors come into play. Then a level is reached where it could be more advantageous to ship by water, I am speaking of the general common carrier services, than by rail to the Great Lakes and St. Lawrence River ports, and the same thing in relation to Prince Edward Island, and cognizance has to be taken also of the competition factor which, as a Commission, we stress strongly, has been manifesting itself in keeping the rate structure in this territory from getting beyond inland trading with other ports of Canada.

MR. MUNDELL: Q. Could I start by

enlightening a little bit of my ignorance. As I understand you to say, dealing with traffic between New Brunswick and other Provinces, there are now no scheduled common carriers?

A. Water services.

Q. None?

A. Yes.

Q. Secondly, within the Province, I would like to verify my impression, there are scheduled services from points in New Brunswick to other points in New Brunswick, and those being the subsidized services?

A. From Saint John to Grand Manan, and also the service between Saint John, Yarmouth and other Bay of Fundy ports in Nova Scotia.

Q. These then would now comprise all the scheduled water ---

A. According to my information those again are not services affecting New Brunswick.

Q. Coming to the non-scheduled water services for transportation to Montreal and Quebec, is there, taking first the Montreal and Toronto, is there any volume of traffic moves by boat from, first, the south portion of New Brunswick to those areas?

A. Not that I am aware of.

Q. What about the north shore?

A. I believe that most of the traffic that moves between New Brunswick and St. Lawrence -- Great Lake waterways, would originate on north

shore ports.

Q. Would you have any idea of the volume of that?

A. Excepting from the exhibits I have, the figures and corresponding D.B.S. reports.

Q. And I suppose any non-scheduled shipping from Saint John from the north shore to Newfoundland, those figures you gave us, first, they were all non-scheduled because there are none scheduled?

A. That is right.

Q. How does that originate, do you know?

A. Oh, I suppose some of them would be charters, a chartered vessel, and the vessel might take cargo from along the north shore, if they have any traffic going back to St. Lawrence River points they come in and accept it, or the vessel could be going on charter and is looking around for traffic to a particular port to go to berth for cargo at another port.

Q. Now then, coming to firstly the comparison, or rather the effect of the potential water carriage from Saint John on rail rates, what would be the possibility of water carrier as an alternative, has it any effect on rail rates from Saint John to Montreal?

A. Oh, yes, definitely, I forget just exactly how those rates are published on sugar but originally they were published as water competitive rates, they may be published now as water and truck competitive rates but the rates

on sugar from Saint John to various destinations in Quebec and Ontario are published as competitive rates and, I believe, as water and truck, they would have to be flagged because the ports at which they docked would be along the St. Lawrence and they would have to go into inland points and the only way they could go then if they move by water would be by truck.

Q. Are there any competitive rates on commodities other than sugar from Saint John? That could be a bulk cargo?

A. That would be a bulk cargo in a sense.

Q. I am wondering if there is anything else that moves of the same character?

A. If my memory serves me correctly, there are competitive rates between Saint John and other points in Ontario and Quebec. For instance, I do know definitely there is some competitive class rates applicable from Montreal to Saint John to meet truck competition.

Q. What I was coming to was, would not the truck be the real controller?

A. I would say that the water, as far as sugar is concerned, the basic controller was the water.

Q. Because it would move as a bulk cargo?

A. That is right. I would say now in so far as Ontario is concerned, Quebec and Ontario, the competitive rates that obtain are mostly truck competitive rates other than the commodity I

mentioned, that is from Saint John. I think there are seasonal competitive rates on wood pulp and other commodities, pulpboard from around the north shore, and those, I would say, are primarily water competition.

Q. Are the commodities that you mention where they have competitive so-called rates, are they for the type of goods that can be moved by truck economically at all?

A. I have not gone into that aspect where the trucking companies made a distress pick-up going back, but I think they are more adapted to water and rail than to truck, although there are competitive rates in ---

COMMISSIONER WICKWIRE: Is there a competitive rate on lumber that you know of?

A. From here to Central Canada?

Q. Yes?

A. There is no competitive rate.

Q. Or any part of New Brunswick to Central Canada?

A. From any part of New Brunswick to Central Canada, not that I know of.

MR. MUNDELL: Q. Well, in your opinion, Mr. Matheson, apart from sugar the effective regulator of truck competition is from the south but you feel it may well be water transportation in the north?

A. The compelling factor around the coast, around Bathurst and that section, the

water competition would tend to be the compelling influence.

Q. But there is nothing moving, there is no scheduled line in that area?

A. No.

Q. Have you any idea how much of it is moved by water in that area?

A. That originates -- no, I have no breakdown of that, I think that could be secured from the D.B.S. reports on a further breakdown of the information I have here.

Q. Is that not confined to the customs ports?

A. Yes, but most of the ports are custom ports, Dalhousie and Bathurst, I believe a breakdown could be made from the run-off of statistics.

Q. Do you think it would be a quite substantial amount or is it just a threat that you believe is affected, or is there anything actual?

A. Actual movement?

Q. Yes, to any substantial extent?

A. If you take 1953 as a criterion the question arises, some of that has gone to Quebec, some United Kingdom registered ships, his lordship mentioned the Paterson boat being there, that might have been going up to the Lakes, but I have not got the further breakdown, but it can be secured also from D.B.S. I could not tell you other than the information I have here because I did not delve into that.

Q. I do not suppose you would have any different aspect or any different views on the way the St. Lawrence Seaway would affect New Brunswick in particular from those that you have expressed generally in regard to the Maritimes?

A. Taking lumber as a general illustration and the wood pulp, things of that nature, I am inclined to believe that the development of the St. Lawrence may possibly revolutionize the shipping of lumber from this territory. I am speaking of the northern section to the Great Lakes and St. Lawrence River points at cheaper water cost.

Q. I take it when you say it would revolutionize it, it would move by water rather than by rail?

A. There is that possibility, that it would develop a greater movement by water, keeping in mind too the railways would be desirous of keeping that traffic and coming in with agreed charges, there would be that tendency if agreed charges did not apply to the United States ports, so there is a possibility of opening up a market along Lake Erie with ships going straight through to that area.

Q. Do you think it would have any bearing on that revolutionization if the trade was restricted to United Kingdom bottoms or left open to Canadian and United Kingdom bottoms?

A. Well, according to my own submission, the lower cost of United Kingdom bottoms would, of

course, result in lower or should be reflected in lower transportation costs for lumber and these other products to the potential markets of Ontario and the Central United States ports.

Q. I think that is all I have to ask.

COMMISSIONER WICKWIRE: Q. Mr. Matheson, I think this is the third or fourth time we have had the pleasure of hearing your position and the position of the Maritime Transportation Commission on some of the problems that we are asked to deal with. The view which your Transportation Commission has put forth is entirely opposed to the view of the shipbuilders, the ship repairers and the labour unions. Is there any compromise that the Maritime Transportation Commission should suggest as worthy of consideration by this body?

A. We have not explored that particular field. I did not altogether leave it alone, I was desirous of going in to see -- I am glad you raised that point -- to see if there might be something that could be suggested. After all, we are Canadians and moving traffic by Canadian registered boats, if they offer the lowest possible cost or could offer the lowest possible costs, I did some searching around and, of course, I was very much taken with the statement that was made by Clarence G. Morse, Chairman of the Federal Maritime Board, in an address that he made on May 18th in California. He said -- if it is in order for me to refer to this, and, of course, I think the

Commission will be interested in getting the information direct, but this is what he said:

"He called on labor leaders to take "a long view of mechanization, and said "that there were too many unimaginative "leaders in management, as he declared "that the domestic trade picture was "'depressing' . . . "

He was referring to the coastal trade:

". . . and that the current trend, which "appeared to be downward, 'must be "reversed.'

"One of the challenges which "faced the merchant marine, Mr. Morse "said, was an urgent need of new ideas "and new means of 'combatting the "inroads of truck and rail com- "petition.'"

I think I mentioned in my own brief what happened down there in connection with the number of ships that have gone off the coasting trade.

"Unless there was co-operation along "those lines from labor and management, "he said, 'coastwise and intercoastal "operations are destined to vanish.'

"Another challenge the adminis- "trator cited as foremost on the 'must' "list was a renewed recognition of the "need for fair and stable rates in "the offshore trades and competitive

"rates as between rail, truck and water "carriers in the domestic trades. He "also said that management and labor "must realize that 'the government is "not inclined to pay out unlimited amounts "of money for operating-differential "subsidy,' . . . "

I think he was referring there to the boats in the coastal trade.

". . . and some means must be devised to "reduce subsidy cost to the government.

"Mr. Morse said that receipt, storage "and transfer of freight represented the "highest cost in dollars per day in the "whole process of transporting freight "tonnage from the point of origin to the "consignee. The primary cost in that part "of the process, he said, was shoreside "labor. He also said a recent study of "a typical foreign trade route voyage showed "that the highest cost item in the entire "process was that of loading in an American "port.

"After saying the merchant marine "had dropped from 694 ships in 1938 to 437 "at present, Mr. Morse added:

"'Today the picture is depressing. "The current trend appears to go downward. "That trend must be reversed.' . . . "

and so on.

He suggests, of course, improvements in methods of handling and more co-operation directed to that end in order to keep costs down. He cites, of course, what has been done or what has attempted to be done in the New York port area.

Q. Are these the views of your Commission?

A. In so far as that is concerned, if Canadian registered vessels are to be able to keep their costs down or work to that end, our Commission takes the view if our trade in the Maritimes is to be carried on, our industries are to be carried on, we have to get our transportation at the lowest possible cost in order to compete, because we are up against stiff competition.

Q. I understand that and, as I say, I have had the pleasure of hearing you expound these theories, but what is the view, for instance, of the Maritime Transportation Commission that on the argument that if for no other reason than for national defence purposes you must maintain ship-building yards and ship repairing yards at at least a normal --- ?

A. Our brief states in so far as the foreign set-up is concerned, we take the position that that may be worthwhile looking into in connection with foreign trade and some sort of a system they have in the United States to keep your shipyards as a basis and train men and so on in the case of emergency. We take the position that is worthwhile looking into.

Q. That is worth while for us to look into, but you have no suggestions to make?

A. No, that is right.

MR. GERITY: Q. Mr. Chairman, I think I might ask a few questions. Mr. Matheson, your Commission purports to represent the four Atlantic provinces. Now, leaving Newfoundland out, the only trade, if I am not wrong, in which U.K. ships participate in our ports is Dosco, is it not, down here in the Maritimes?

A. Oh, well, I think the exhibits show there is more Dosco U.K. ships.

Q. Between where and where?

THE CHAIRMAN: What exhibit?

A. I think it is all set forth in exhibits ---

MR. GERITY: I said, leaving Newfoundland out?

A. Exhibit 31, the first four deal with Newfoundland ---

Q. I quite agree, but you give arrivals and departures, I am putting my question this way, we heard evidence in Newfoundland and Halifax and was it not so that between Nova Scotia and the upper St. Lawrence ports the only U.K. vessels that regularly trade are chartered by Dosco?

A. On regular trade?

Q. So, as far as Nova Scotia is concerned, what we are trying to preserve here is Dosco trade?

A. As far as Nova Scotia is concerned?

Q. Yes?

A. As far as Nova Scotia is concerned, Dosco has made their submission, they are interested in maintaining their trade, but we are interested as a Commission.

Q. I know you want a club but there is only one set of ships running from Nova Scotia up the coast, leaving out Newfoundland?

A. On what you might say a regular going back and forth picking up cargo.

Q. And there is given to that company a laid-down cost to Montreal?

A. That is right.

Q. For New Brunswick, where we are now, and for which your Commission purports to speak, can you tell me of any United Kingdom vessels whatever that give this Province any service whatever between Canadian ports, leaving out Newfoundland?

A. On a regular basis?

Q. On any basis?

A. The exhibits show one discharging in 1953.

Q. Pick it out?

A. You are speaking of the Great Lakes at Quebec?

MR. MUNDELL: What exhibit are you on?

A. 31 -- 32, 33 and 34.

MR. GERITY: Perhaps you would like to look them over. I read it over and as far as I

can see there was not one.

A. At New Brunswick ports from British Columbia ports, that comes into the picture, that is another angle, that would be the regular steamship lines operating to the British Columbia coast ports and calling here on voyages.

Q. That was the U.K. ship going to the west coast?

A. Yes, that is Exhibit 31.

Q. That is one.

A. Yes.

MR. MUNDELL: What about New Brunswick from Newfoundland?

A. He is excluding that, the local coasting trade -- from British Columbia ports to New Brunswick ports in Exhibit 32 ---

MR. GERITY: One?

A. Exhibit 33, at Quebec ports from New Brunswick ports, one.

Q. One?

A. On Exhibit 34, from New Brunswick ports to Quebec ports, two.

Q. So then, if I am right, speaking of up river trade, U.K. vessels, we have one arrival and two departures in one year?

A. Yes.

Q. And that is the trade your Commission wants to preserve?

A. We are interested in maintaining the lowest cost transportation, that is fundamental

to our whole Commission set-up.

THE CHAIRMAN: What you say is whether or not they are in it, as long as they can get in it they will keep the rates down?

A. Yes.

MR. GERITY: That is a potential you are interested in?

A. Well, there is the actual and potential at the moment, for instance, referring to the Chairman's question about Port Dalhousie which I can answer for him later ---

Q. Do you know what companies actually do carry pulpwood from this Province up river?

A. No, I do not.

Q. Would you say I was wrong if I said there was N.M. Paterson & Son and ---

A. I would not know.

Q. You do not know?

A. No.

Q. So, what it comes down to then, as far as Nova Scotia is concerned, it is Dosco trade to be preserved and a club to be kept handy, and as far as New Brunswick one arrival and two departures in one year?

A. It is.

Q. Speaking of Ontario and Quebec and our own coastwise service, and the influence exerted by the U.K. ships, they only exert a potential influence?

A. The experience shows that there is

also quite a number of sailings from New Brunswick ports to Newfoundland ports.

Q. I am well aware of it, and I am talking about Nova Scotia and New Brunswick?

A. Well, the way you put the question to me, it appears to me we are taking a stand just because of Nova Scotia and Dosco and that is not so, because you have the whole picture. We are representing four set-ups, four Provinces, we have the Newfoundland picture also in evidence, we have got the Nova Scotia picture, also in evidence we have the New Brunswick picture which also comes into play, and particularly in so far as the north shore of New Brunswick, in so far as our competitive position is served ---

MR. GERITY: Has not your Commission any clubs to hold over the railroads?

A. That is a pervasive influence and whatever the competition may be, if it has an influence in getting our costs to our industries down we are for it.

Q. Well, I suggest to you, Mr. Matheson, that Canadians might have a little more confidence in their own country.

MR. J.K. BELL: Q. I was wondering if I might ask Mr. Matheson if he has any explanation, if the lowered rail rates has resulted in the elimination of water traffic between Saint John and Upper Canada in connection with the sugar market, why is it not all British ships have not

entered this particular trade if it is contended that their rates are much lower than Canadians and would British rates in that instance be competitive to the extent that they would be below the rail rates?

A. There are several factors come into play there, I think I mentioned it, the time in transit, the effect of these rates are not felt all year round, the competitive rates are only effected all year round subject to a little change at the end of the season, but they are still competitive rates and extending into interior ports. The railways -- the carloads moving on a regular basis probably obviate storage costs and all those other factors which no doubt constitutes a very important element in the views of the sugar company in their shipping plans, and whether or not a U.K. boat coming into that trade might get its costs sufficiently low to offset these other factors is another question.

Q. You would say then that the new rail rates that exist now between Saint John and Upper Canada ports on sugar carrying would not permit British competition?

A. It has not shown its head so I think it speaks for itself, Mr. Bell. In other words, the rates are competitive.

COMMISSIONER WICKWIRE: Q. Is there any variation in the rates for sugar from Saint John to Quebec and Ontario points winter and summer?

A. I am speaking from memory now, they are still competitive rates into effect all the year round on sugar, but, if my memory serves me correctly, at the end of the regular season of movement there is a slight re-adjustment upwards on the sugar but still competitive. There is a storage factor there, if they take the sugar up by boat and store it and then distribute it in the winter months -- that comes into play also.

THE CHAIRMAN: Thank you very much, Mr. Matheson.

MR. MUNDELL: The next brief, my lord, is the Saint John Dry Dock.

SAINT JOHN DRY DOCK COMPANY LIMITED

MR. FRANK G. WILSON (Vice-President of the Saint John Dry Dock Company Limited): We were associated with the brief of the Canadian Shipbuilding and Ship Repairing Association which dealt with the problem of the shipyards in a general way but we would like to tell you briefly something of the part our company played in World War II, and what it, as a company or an industry, means to this part of the Maritimes.

The company owns, and has operated since 1923, one of the largest dry docks in the world. This dry dock was built under an arrangement between the Government of Canada and the Govern-

ment of the United Kingdom so that there would be available on the Atlantic seaboard a dry dock that would be capable, along with its facilities, to accommodate the largest units of the Royal Navy. The Canadian Government in this respect agreed to pay a subsidy which amounted to $247,500 a year for a period of 35 years. This subsidy was used to build the dry dock and has been used since that time to pay the interest and principal on an issue of bonds, the proceeds of which were used to pay part of the capital cost of the dry dock. The company's obligation under this subsidy agreement was to maintain the dry dock in an efficient state of repair and keep it available for the service for which it was intended.

Now, prior to World War II the company managed to stay in business by repairing the deep sea ships of Canadian registry, some United Kingdom and foreign flag ships, the coasting vessels and the odd unit that the Royal Canadian Navy owned at that time. In order to always have men available to service the dry dock because we never knew when we were going to be called upon to do rather a substantial job, we found it necessary to diversify in our operations and in that respect we did other work such as repairs to industrial machinery and equipment and fabrication and erection of structural steel for buildings and bridges and marine contracting work. It was only during World War II that this company and its facilities,

the huge dry dock and ship repairing plant, really justified itself. At that time we were called upon to repair ships of the Royal Canadian Navy and many large units of the Royal Navy including a battleship. The battleship that came here had its hull damaged and this was the only facility on the Atlantic seaboard that was available to do the work and put her back into service. At that time it was intended that other large units of the Royal Navy would come here for re-fitting and re-conditioning. However, shortly afterwards the United States entered the war and instead of using our facilities they used their own naval dry docks or naval dockyards which, of course, were better equipped than we were to do their technical work.

During the war, in addition to putting ships back into service, we built certain naval vessels, three corvettes, seven cargo vessels and four coasters. We also dry-docked and carried out extensive repairs to 749 merchant vessels and in addition to this we prepared afloat 1,750 vessels.

In order to provide the company with additional facilities during the war the Canadian Government built adjacent to the large dry dock another dry dock at very considerable expense which was capable of accommodating vessels up to 10,000 tons. We found that that dry dock was used to capacity along with the other dry dock. In the "History of the Department of Munitions and Supply, Canada in Second World War", by John

de Navarre Kennedy, it was reported that during the war years shipyards in Canada repaired and restored to service 27,000 allied ships and I think it is safe to say at least 60% of these were repaired in the shipyards of the Maritime Provinces due to the proximity of the yards to the Atlantic shipping lanes.

Situated as we are well up the Bay of Fundy the dry dock is in an ideal location from a national defence standpoint. It is not vulnerable to direct attack from the sea and yet it is accessible to naval ships operating in the Atlantic and also convoy ships. It is available all the year round and is the only facility of its kind on the Atlantic Coast. It was proven in World War II that facilities of this nature were an absolute necessity in order to repair ships damaged by enemy action and to recondition other vessels after strenuous convoy work.

Since the war the yard has been kept busy, first by repairing and converting merchant ships, a particular type of business which developed as an aftermath of the war and later with the work in connection with the naval programme, the naval programme having represented 90% of the business we have done in the last three years. The naval programme as it affects our yard is nearly completed, and with the completion of a crane lighter and two Norton class tugs all the work we have on hand will be finished by the end of August. The

company will then need to depend on merchant ship work developing from the ships of the Department of Transport and naval refits. This will result in a very much reduced volume of work, the deep sea fleet has ceased to exist as far as we are concerned and we find that U.K. and foreign flag ships now only carry out very temporary repairs on this side of the Atlantic, they go back there for all their repairs and conversions and any major jobs. In fact, if they have a damage at all they will put them on dry dock and put on a temporary patch and send them back for repairs. Even the ocean ships of the Canadian Pacific Steamships carry out all their periodic over-alls and conversions in United Kingdom shipyards.

COMMISSIONER WICKWIRE: What about the Princess Helene?

A. She belongs to the C.P.R. and she repairs here, she operates between Digby and Saint John.

Q. But she is repaired and outfitted in Saint John?

A. That is right. The concessions made by the Government to the fishing industry, although of assistance to that industry, has removed to a large extent the opportunity of Atlantic shipyards building fishing trawlers and other types of fishing vessels. The Canadian Government trawler policy permits any Canadian company operating a fish packing plant to import one used trawler

from any most-favoured nation country, at least one, and then they have the privilege of importing another one provided they place another order for another trawler in a Canadian shipyard. If a fish packing plant has more than one branch or factory it can apply these regulations to every plant it owns. Another thing which has worked a hardship against us are the budget concessions of April 5, 1955, eliminating duty on fishing vessels over 100 feet in length. That has done away with a potential source of work for the shipyards. In place of the work we have lost we are hoping for a new source of work to be made available by the Government amending the Canada Shipping Act so that the coasting trade of Canada will be restricted to ships registered in Canada and additions to Canada's coasting fleet built in Canadian shipyards. If another world war should come shipyards on the Atlantic coast of Canada must be capable of undertaking, with a minimum of time, any work that is required of them and a lot will depend on their capacity and ability to carry out this work quickly and well. In order to meet these requirements we must have available the necessary facilities and skilled workmen at the outbreak of hostilities. The repairing of modern ships, much more complex than in the days of World War II, calls for a higher degree of skill than ever before. The tradesmen we now employ are skilled in their trades in which they work, and they have only

acquired these skills after long apprenticeship and experience. In our particular work we find that tradesmen in similar occupational classifications in other industries have not the know-how and skill to do work on ships; it is just sufficiently different that they must have training in the shipyards, so we cannot go out and pick them up whem we need them, we have to break them in and hold on to them until they are needed.

The Royal Canadian Navy has expressed itself as wanting shipyards to maintain efficient organizations and facilities and has demonstrated this fact by placing in Canada orders for all its new ships with the exception of one large aircraft carrier. They have also reconditioned, at great expense, some last war ships, a lot of which have been put in reserve.

From an economic point of view our company is vitally necessary to the well-being of this community. It is one of the few large industries we have in this part of the Maritimes. For the last 15 years an average of 901 men have looked to it for employment and during that time we have paid an over-all payroll of $2,240,000 per year. The peak employment figure for 1955 was in February when 1,330 people were on the payroll; to-day we have 1,085 and when these two naval ships on which we are presently working are completed by the end of August we figure our labour force will be reduced to about 400 men.

This company would be greatly aided in its effort to keep this plant operating and maintaining an efficient organization if this Royal Commission could recommend the reservation of the coasting trade of Canada to ships built and registered in this country. We notice that the Maritime Transportation Commission in its brief stated that it was supported by the Province of New Brunswick. Now, this statement, we regret that we are inclined to doubt it, because we were told by officials of the Province of New Brunswick that the Province was taking a neutral stand in the matter of the coasting trade and were not making any representations to your Commission. We cannot see what problem New Brunswick would have in the coasting trade because there are practically no U.K. ships serving New Brunswick. That being the case, it looks as though the Maritime Transportation Commission is more concerned with what companies in Nova Scotia are doing or what their interests are and the same in Newfoundland, and we feel that our interests rank ahead of theirs because this is an important industry in this part of the country and New Brunswick should be supporting its own industries. As far as Dosco is concerned, they have been chartering British ships to carry their coal to Montreal, although we admit that everybody should not try to get their operations as low as possible, it seems to us that the matter of Dosco was one isolated company and should not have too great

an effect upon the coasting trade of Canada. Certainly the ships they charter, we have not done any repairs on them, they all go back to England or somewhere, we do not benefit from them at all.

The Furness Withy Company which has rendered long and faithful service to Newfoundland and Canada, we cannot find much fault with them, we feel they are doing a worthwhile job and we do not suggest that their operations be disturbed at the present time.

Now, in asking for a restriction of the coasting trade, we expect to get out of it exactly the class of business referred to in Brief B25 of the Shipbuilding Conference of the United Kingdom. They mention certain types of ships that would be built if the Seaway was completed and what a wonderful opportunity it would be for the U.K. yards to get in on this business, but we feel our yard and our organization here are just as able and capable of building these ships as they are. After the Seaway is completed we assume that probably 60 to 70% of the tonnage that is used on the Great Lakes will become obsolete, and eventually, in not too many years, it will have to be replaced so we are looking for some of that business. Of course, they cannot be replaced unless people who put their money into these new ships have the assurance that British ships are not going to be able to come over here and disturb the freight structure in operating two or three months a year and upsetting

the whole works. We have heard that certain alternative remedies have been suggested to help the shipyards but we stand with our Association on that question, we feel that the coasting trade should be restricted, we should build and operate our own ships here. Canada has become an industrial nation and ship building and ship repairing is part of it.

As far as we know, there are no substantial orders in any of the shipyards in the Great Lakes area or Atlantic seaboard for new tonnage, nor are there any keels being laid. If the Seaway is finished in 1958 it is reasonable to suppose that by the next year or shortly after there will be orders for ships for the particular trade that will develop out of the completion of the Seaway.

As I said before, we have diversified as far as we feel we can without getting away from the particular type of work we were doing, and as this yard was started by the British Government and the Canadian Government to serve a certain purpose which is ship building and ship repairing we feel that that is the type of business we should seek. We wish to thank you, Mr. Chairman, and gentlemen, for having heard us and listening to our problems.

MR. GERIN-LAJOIE: Mr. Chairman, I should like to ask Mr. Wilson if he would be kind enough to clarify a number of points in the expose he made to the Commission. I understand that your company, Mr. Wilson, was set up in 1923, is that right, or about that time?

MR. WILSON: The dry dock was finished in 1923 and we started to operate it, but it dates back further than that because the company built the dry dock and it was a construction company prior to having started to operate the dry dock.

MR. GERIN-LAJOIE: Now, at that time did you start building and repairing ships?

MR. WILSON: Well, we started first to repair ships and we built some small ships, but there were very few jobs available to us at that time.

MR. GERIN-LAJOIE: What type of ships did you handle?

MR. WILSON: Mostly small coastal vessels and scows and dredges and boats of that type. You see, when you start to operate a shipyard the ship owner has not much confidence in you and it takes quite a long time to show him that you can really do a job and that when he leaves his ship in you are going to look after it for him.

MR. GERIN-LAJOIE: I understand the company was set up or started its operation to a great extent under the auspices of the Canadian Government, did you get orders from the Canadian Government at that early stage?

MR. WILSON: No, all we got from the Canadian Government was the opportunity to repair some of their ships like the ships of the old Canadian Government Merchant Marine. We also repaired the ships of the Department of Transport but apart from that we had to go out and find our

own business and stand on our own feet.

MR. GERIN-LAJOIE: What about Navy ships prior to World War II?

MR. WILSON: They only had two or three units and they had a Navy dockyard in Halifax and we very seldom saw them, we did get the odd job now and then but very little to speak of.

MR. GERIN-LAJOIE: On structural steel for buildings and bridges and so forth, when did your company develop these subsidiary activities?

MR. WILSON: Well, we developed those early in our history, I think the structural steel which is perhaps the most extensive one was developed in 1925, the bridge contracting, that was something that was a carry-over from our old construction days when we were building the dry-dock, we had the know-how then to do that type of work and we stayed in the business and the profit we have made from that business through the years has been thrown into the company's treasury to help pay for the losses on the operation of the dry-dock in order to maintain it under our subsidy agreement.

MR. GERIN-LAJOIE: Now, do I understand these subsidiary activities are carried on by your own company, Saint John Dry Dock Company Limited?

MR. WILSON: Well, for years we carried on the bridging and marine contracting work in our own name, but in the last few years we have transferred that to the subsidiary company called the Standard Bridge Company, the repairs

and fabrication of industrial equipment, that is done by this company, the Saint John Dry Dock Company.

MR. GERIN-LAJOIE: Now, would you care to tell the Commission whether your Saint John Dry Dock Company Limited has any other subsidiary than the one you have just mentioned?

MR. WILSON: It has a subsidiary called the Saint John Iron Works Limited which operates in the City of Saint John and carries out practically the same kind of work as we do with the exception of structural steel work, but it goes in for repairs to industrial machinery and equipment and repairs in the Harbour of Saint John of the ships that require repairs afloat. That is, we turn over to them, we have an organization to look after ships that need repairs.

MR. GERIN-LAJOIE: What is the name of the company again?

MR. WILSON: The Saint John Iron Works Limited.

MR. GERIN-LAJOIE: Have you any other subsidiary companies?

MR. WILSON: No, those are the only two.

MR. GERIN-LAJOIE: May I ask what dictates the policy of your companies so that the work should be carried on by the Saint John Iron Works or by the Saint John Dry Dock Company?

MR. WILSON: What dictates the policy?

MR. GERIN-LAJOIE: Yes, if both companies are held by the same interests for carrying on

similar works.

MR. WILSON: Well, the one is a wholly-owned subsidiary to the other and we make a division of the work, we find it more convenient, more economical, to repair the ships that are in the Harbour with a company that is right there on the Harbour itself.

MR. GERIN-LAJOIE: So that would be the Saint John Dry Dock?

MR. WILSON: No, that is the Saint John Iron Works. We are in Courtney Bay where the dry dock is and so we only repair ships that need to go into the dock. We carry out extensive refits to larger ships than the Iron Works Company would do, they are a smaller company and are not as well equipped as we to handle large work.

MR. GERIN-LAJOIE: Perhaps you could say for the purpose of the record where the Saint John Dry Dock is situate and where Saint John Iron Works is situate?

MR. WILSON: Saint John Dry Dock is situated at Courtney Bay in East Saint John, and the Iron Works is in the main harbour of Saint John in Saint John City.

MR. GERIN-LAJOIE: Now, I understand that you carry on, for instance, structural steel for building of buildings and bridges, is this carried on by both Saint John Dry Dock Company and Saint John Iron Works?

MR. WILSON: No, just by the Saint John Dry Dock.

MR. GERIN-LAJOIE: And is Saint John Iron Works carrying out any marine contracting work?

MR. WILSON: No.

MR. GERIN-LAJOIE: Not at all?

MR. WILSON: No.

MR. GERIN-LAJOIE: Industrial machinery?

MR. WILSON: Oh, yes, they do a lot of the repairs and some manufacturing.

MR. GERIN-LAJOIE: Both companies do that work?

MR. WILSON: Yes, whenever we can.

MR. GERIN-LAJOIE: And why would it be carried out by one company instead of the other?

MR. WILSON: Well, as I said before, we would probably undertake the larger jobs and they would undertake the smaller ones, the smaller overhead and perhaps being closer to the job they would be able to do it more cheaply and more efficiently.

MR. GERIN-LAJOIE: Now, could you tell the Commission let us say for the period running from 1930 to 1938 what was the proportion of the gross revenues of both Saint John Dry Dock and Saint John Iron Works from three different sources, (a) ship building, (b) ship repairing, and (c) subsidiary industries, what proportion of the gross revenues would come from each of those three sources as an average for the period of eight years?

MR. WILSON: I have not the figures here and my memory is very faulty at the best of times, but I would say as far as Saint John Dry Dock is

concerned, the ship repairing and ship building would be the most important part of its operations although marine contracting and structural steel would be very important operations to the Saint John Iron Works, they would have depended mostly upon ship repairing and repairs to industrial machinery.

MR. GERIN-LAJOIE: Well, if you were to put the gross revenues of both companies together, could you give a rough proportion?

MR. WILSON: Well, I have some figures here, I think, if you will let me look for them.

MR. GERIN-LAJOIE: I am speaking of the pre-war period.

MR. WILSON: I have the figures here for the Saint John Iron Works -- no, I am sorry, I have not those figures with me.

COMMISSIONER WICKWIRE: Perhaps you could obtain them and send them in?

MR. WILSON: Yes, I can do that, that would be the figures from 1930 to 1938?

MR. GERIN-LAJOIE: Approximately, taking a certain period before the war.

MR. WILSON: Yes.

MR. GERIN-LAJOIE: If we were to take only one year I suppose it would not give a fair idea, but taking a whole period of five or eight years it would.

MR. WILSON: Yes, do you want it broken down into the various operations for both

companies?

MR. GERIN-LAJOIE: Yes.

MR. WILSON: I would be glad to supply them.

MR. GERIN-LAJOIE: To show the Commission how important your subsidiary activities were compared to ship building and ship repairing.

MR. WILSON: Yes.

MR. GERIN-LAJOIE: It would also be of interest to the Commission to know what is the relevant importance of ship building and ship repairing, that is why I am breaking this whole business into three different headings. Now, could you say by memory if you had any Government, Naval orders between 1930 and 1938?

MR. WILSON: Well, the only -- you mean including Naval?

MR. GERIN-LAJOIE: Yes?

MR. WILSON: Well, the Naval refits would be very few.

MR. GERIN-LAJOIE: Before the war?

MR. WILSON: Yes, I doubt if we would have more than one a year.

MR. GERITY: There were only two ships in the Navy.

MR. WILSON: There were only two ships in the Navy. No, we certainly would not have had one a year, we did work on the ships of the Department of Transport but only the local ships that were berthed here, such as lighthouse tenders.

COMMISSIONER WICKWIRE: What, may I ask,

were the two ships that were in the Navy?

MR. GERITY: Only two before the war, two small destroyers until we got two from England in 1938. There were some on the West Coast.

MR. GERIN-LAJOIE: I think it would be of interest to compare the pre-war situation to your present situation, and would you care, in this regard, to tell the Commission the proportion of your gross revenues, and when I say "your" I mean the two companies, from ship repairing, ship building and subsidiary activities, let us say, from 1945 to 1955? Would you have to look at your figures?

MR. WILSON: I am afraid I would have to look at our books. I have our total earnings here but I have not the breakdown. I would be glad to send that information in as well to the Commission.

MR. GERIN-LAJOIE: And when you supply the Commission with those figures, it would also be of interest to the Commission to know what proportion of those revenues came from Naval works.

MR. WILSON: Yes.

MR. GERIN-LAJOIE: Or from Government works and from private enterprises.

MR. WILSON: Well, we know that in the last three years 90% of our shipbuilding and repairing has all been Naval.

MR. GERIN-LAJOIE: Roughly speaking, are you not in a position now to say what proportion of your gross revenues for the past ten years would have come from subsidiary activities, very

roughly so that we might carry out this examination to-day more to the point?

MR. WILSON: No, I do not think it would be safe to guess what it would be.

MR. GERIN-LAJOIE: You mentioned a moment ago that it would not be as important as your other activities, are you in a position to say that your subsidiary activities for the past ten years have been less than one-third, for instance, of your whole activities?

MR. WILSON: Well, since we turned over our work to Standard Bridge Company we have carried out some substantial jobs and during that time the earnings of the Standard Bridge Company would be quite large in comparison with the earnings of the parent company, the earnings of the Saint John Dry Dock Company, they remain more or less constant, that is, it is not changed and fluctuated according to business conditions generally, that is, there has been no particular change there that could not be accounted for by the normal trend of business.

MR. GERIN-LAJOIE: Could you tell the Commission if there is a possibility, with the knowledge you have of your trend of business, that in the course of the next few months when you will have very little ship building and ship repairing work, according to your statement, if there is any possibility that your subsidiary activities may compensate for the lack of work?

MR. WILSON: No, we know what our subsidiaries have ---

MR. GERIN-LAJOIE: When I say "compensate", to what extent the workers in the shipbuilding and ship repairing field should be transferred to the others.

MR. WILSON: No, there would be practically no help there at all or a possibility of taking care of any of the men, we will be obliged off as a result of these Naval contracts finishing.

MR. GERIN-LAJOIE: Is this because you do not foresee any contracts in these other activites?

MR. WILSON: That is right, we do not see any expansion to the operation of our subsidiary companies.

MR. GERIN-LAJOIE: You mean your subsidiary activities have quite a regular flow of business or is it irregular?

MR. WILSON: Yes, the Iron Works, they have a regular, their trend of business follows an established pattern. Of course, with any contracting company, as you know, the volume is not constant, it is up or down, depending on how successful you are in obtaining work.

MR. GERIN-LAJOIE: Could you tell the Commission if, during the past five years roughly speaking, you have had quite a transfer of workers from one sphere of activity to another and vice versa?

MR. WILSON: Well, the only place where we

transfer workers to any great extent is between our ship repairing and ship building operations and our structural steel operations, that calls for a somewhat similar type of steel worker, that is, there is refitting and welding and fabricating of the steel and shop work, but on marine contracting, with perhaps the exception of a few odd men, there would not be any relief there. The idea of these companies is to try and make some money on them to help pay the losses on the rest of the operation.

MR. GERIN-LAJOIE: Do I understand that you have transferred to a certain extent workers from the ship building and ship repairing to your steel industry?

MR. WILSON: Yes, we are doing that all the time.

MR. GERIN-LAJOIE: Now, if we may pass on to your recommendation that the coasting trade of Canada be restricted to ships built and registered in Canada, first of all, if this restriction was put into the legislation within the next three years, for instance, do you think that there would be enough ships to carry on the coasting trade of Canada?

MR. WILSON: You mean without building new ones?

MR. GERIN-LAJOIE: Well, if this restriction were put into legislation within three years could the shipyards build enough ships to supply the demand to carry on the necessary trade?

MR. WILSON: There are a lot of shipyards in Canada and they are all hungry for work. I do not know whether they could meet the demand but they could certainly supply a lot of it as they did during the war in building cargo vessels. I think that is an example of what they can do when they really get under way and have the orders in front of them.

MR. GERIN-LAJOIE: If I might put a question, would there be any possibility that after such a rush in the ship building they might have a lowering, a dangerous lowering after those few years of heavy ship building to meet an unusual situation?

MR. WILSON: Well, we have been used to peaks and depressions but we are looking around in our industry, the repair work and the conversions and the keeping in service of ships that are operating would be our bread and butter work, and the more ships operating in Canada that have to be repaired in Canada and cannot earn their money here and pick up and go to Germany or Japan or some foreign country or the United Kingdom and be repaired, those are the kind of ships that are of no use to us, they do not have any work done except what they have to.

THE CHAIRMAN: I will ask you, as I have asked those in a similar position, what about a compromise that no ship could enter into Canadian coasting trade without its repairs being carried out in Canadian yards?

MR. WILSON: Well, that would help, yes,

but the trouble is, how would you keep them here? I mean, they would operate here and they would be through with their term of service or a company with perhaps a dozen ships, they could operate half of them here and send them back to England and send the other half out.

THE CHAIRMAN: The administrative difficulties would be very great?

MR. WILSON: That is right.

COMMISSIONER WICKWIRE: I suppose they would do the same as they are doing now, put a patch on here and go home for the substantial repairs?

MR. WILSON: Yes, slap on a few rivets and send them home.

THE CHAIRMAN: You have towed them back on occasion, have you not?

MR. GERITY: They towed a German ship that was sunk back to Germany, and a Swedish ship as well.

MR. WILSON: We have even known of cases that worked a hardship on us where companies operating ships in the coasting trade, they would operate a ship in the coasting trade for a while and then put it in the foreign trade for a year so they would not have to repair it in Canada.

COMMISSIONER WICKWIRE: I suppose if you were an owner of a ship and you could get it repaired at lower cost in the United Kingdom you would try to get it back there?

MR. WILSON: Yes, I would, but if I could buy a motor car in the United States and drive it

back here without paying duty, I would do that too.

THE CHAIRMAN: It has been tried.

MR. GERIN-LAJOIE: I wonder if you have given any thought to the question whether shipping companies would give orders for Canadian ships, if the restriction was passed into the legislation as suggested by your company, whether the shipping companies would order ships without knowing in advance what the charges for the use of the St. Lawrence Seaway would be and what the cargo rates would be?

MR. WILSON: Well, I think they would rely upon the assurance that the rates would be such that the ships could operate at a profit. There would be no point in making the tolls such that they would be prohibitive, is that what you mean?

MR. GERIN-LAJOIE: Yes. Well, I wondered if you had given any thought to this question, I wonder if that might be a problem and if they might still put the orders your company and other ship builders would expect from a restriction move?

MR. WILSON: I do not think there is any expectation of that because we have, among ourselves, discussed the possibility of getting this tonnage and that point has never come up, and we have been in discussion also with operators of ships who you would think would be alive to that situation if there was something they were worried about.

MR. GERIN-LAJOIE: Because, for instance,

the Commission has heard from the railway companies that the users of the waterways should pay fully for the service they receive for the cost of the waterways, so I wondered if that might raise a problem on freight charges or not.

THE CHAIRMAN: Not only on the new expenditures but all the past expenditures?

MR. WILSON: That to me is a beautiful thought.

MR. GERIN-LAJOIE: Now, I was listening to this examination regarding the number of ships, particularly U.K. ships operating from the Maritime Provinces, I should say from New Brunswick and Nova Scotia, up the St. Lawrence River, I wonder if in your opinion, Mr. Wilson, it is possible that no ships, either Canadian or U.K., are operating on that line because of the competition of the rail and if precisely the rail rates may have been brought down to their present level on account of the competition or potential competition of the ships.

MR. WILSON: Well, we had thought in the past the railways had made the rates of these ships that have operated between the Bay of Fundy ports and Montreal and I presume they will do it again. Perhaps the fact that there is very little traffic moving between New Brunswick ports or Bay of Fundy ports and the St. Lawrence by water, perhaps that is evidence that the railways are watching the situation and are matching any lower rates.

MR. GERIN-LAJOIE: Of course, I certainly

hold no brief for the Maritimes Transportation Commission as I hold no brief for any group appearing before this Commission, I make this clear, and I would like you to give your opinion tothe Commission as to whether it is not possible that the Provinces of New Brunswick and Nova Scotia get their rail rates largely on account of the potential competition of the water lines.

MR. WILSON: Well, I do not think the freight rates to-day, the railways are charging that they are losing any money considering what we are paying on freight on steel that comes down from Ontario. I think the reason there is no more competition by water is the fact that there is not a sufficient volume of business to justify putting in these ships.

MR. GERIN-LAJOIE: Well, to make clear what I have in mind, Mr. Wilson, I will refer to an instance which has been brought to the attention of this Commission between the railways and the potato growers of Prince Edward Island. There had been negotiations for the transportation of Prince Edward Island potatoes by water and afterwards an agreement was passed with the railways and there is a possibility, that is all I can say, that the rail rates, agreed charges in that case may have been fixed just to undercut, I say "may" just to undercut the water rate, and I wonder if that might be the situation in regard to goods in New Brunswick and Nova Scotia. I am just asking for your personal

opinion on this question?

MR. WILSON: I think most of the commodities shipped from the Maritimes to Upper Canada are in small lots, I mean, to get a full cargo of something to take from here to Montreal, unless it is pulpwood or lumber or something of that nature, I do not think you can do it, I do not think Prince Edward Island would want to ship a whole carload of potatoes to Montreal, I think they find it much more convenient to load up a car and send it and get rid of it when it is loaded. I do not know what arrangement they made there, but it might have been a threat they used to bring the rates down but I do not think it is practical.

MR. GERIN-LAJOIE: Of course, I insisted on the word "may", I was just mentioning this as a possibility. Now, I have a final point on which I would like to have your opinion, there is a possibility of subsidies too for the shipbuilding industry in Canada. Would that be a useful alternative to the restriction of the coasting trade to Canadian built ships?

MR. WILSON: Well, the question of subsidy is one that I do not feel I am sufficiently conversant with, but it would seem to me you may get over the first hurdle of building a ship by paying a subsidy to the owner, but then there is the question of operating it with the wages and cost of operating and repairs and so forth as against the foreign ship or a U.K. ships your operating

costs are much higher.

MR. GERIN-LAJOIE: Well, how would that affect the shipbuilding industry if ships were bought in your shipyards, in Canadian shipyards, they could still be operated by foreign labour, but your shipyards would be helped just the same.

MR. WILSON: We might get the building of them but we want also to put them through their periodic inspections and keep them going and repair the damages to them while they are operating. That is the problem we have with these United Kingdom ships, the minute they want repairs done or have some damage they get patched up and go back to England and send another ship over to replace it and repair the other in the United Kingdom shipyards and we do not benefit from that at all.

MR. GERIN-LAJOIE: That may be considered as a separate problem, as was mentioned by the Chairman a few minutes ago, the repairs would have to be made in Canada?

MR. WILSON: As the Chairman said, there is an administrative problem there that cannot work out very well in practice.

MR. GERIN-LAJOIE: Have you given any thought to the possibility of operating subsidies?

MR. WILSON: No.

MR. GERIN-LAJOIE: Regarding this defence matter, when the last War arose, how did the Canadian shipyards manage to do the work? I wonder if the situation would be any different

if matters were allowed to stand as they are now in the event of another war?

MR. WILSON: As you know, in the last war there was ample time to get ready, there was a stalemate in France and people did not know whether it was a shooting war or not, and it gave the yard a chance to bring the men in and train them, but even at that it was several years before we were in a position to deliver ships. It is true we were able to repair ships in the beginning and we developed our staff as we went along, but in those days the ships were very simple, the ships to-day are much more complex than they were then and it requires the highest skills to look after these ships, for instance, in the modern Naval ship to-day the electronic equipment calls for highly trained technical personnel.

MR. GERIN-LAJOIE: I think that completes the questions I have, Mr. Chairman.

MR. GERITY: Mr. Lajoie, could you tell me whether these figures you asked for might be given in percentages rather than dollars?

COMMISSIONER WICKWIRE: I think he asked for them in percentages.

MR. GERITY: I have one question, do you remember what year the first corvette was delivered from any shipyard?

MR. WILSON: 1943, was it not?

COMMISSIONER WICKWIRE: The answer is, he does not remember.

MR. WILSON: I said before my memory is very bad, if it is not on paper I do not remember it.

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MR. SIMARD: I have two questions I would like to ask in order to clarify one question put by the counsel for the Commission. I have a note of some figures in respect to the subsidiary company, whether they are in percentages or dollars and cents I do not know. Do you present a separate or consolidated balance sheet on the Saint John Drydock and Saint John Iron Works?

MR. WILSON: We prepare a consolidated balance sheet.

MR. SIMARD: Mr. Wilson, you are an expert in ship building with a very good reputation from coast to coast. For the interest of the Commission would you tell us the cost of tooling up a shipyard for about a thousand employees?

MR. WILSON: You mean a new shipyard?

MR. SIMARD: No, tooling up; I mean tool room and dock welding machines and all the moving equipment that you need in a shipyard for a thousand employees?

MR. WILSON: I could not give you those figures off hand. We have the equipment but we have acquired it from time to time as we needed it.

MR. SIMARD: Yes, I know, but is it not true that during the war - I do not want to put the answer in your mouth - when all the shipyards were required, I will say, at the government expense to meet the emergency there and since the end of the war the shipyards have been carrying on with the tools they had before the war.

MR. WILSON: We have replaced these welders

and machines of that type.

MR. SIMARD: In your shipyard? You answer if you want.

MR. WILSON: In the dollar value?

MR. SIMARD: In the dollar value.

MR. WILSON: No, I could not tell you that.

MR. SIMARD: A question was asked in Prince Edward Island and no answer could be given, would you know if the rail rates, like, commodity rates and different kinds of rates they have, if the rail rates are arbitrarily set when quoted to your people or are they based on cost?

MR. WILSON: That is a question you should have asked Mr. Matheson.

MR. SIMARD: I did but he said he was not properly qualified.

MR. WILSON: Well, I am afraid I am not as well qualified as he is.

MR. SIMARD: But, your opinion?

MR. WILSON: I have no idea.

MR. SIMARD: Are the water rates arbitrary or based on cost? You made the statement that there is not enough volume of business here in the St.Lawrence district?

MR. WILSON: The right kind of business.

MR. SIMARD: I would like to know if this is a personal opinion or if you can substantiate that statement?

MR. WILSON: It is a personal opinion from observation, that is all. I am not in that type of

business and therefore, I cannot give you factual information.

COMMISSIONER WICKWIRE: I think what he said was there may not be sufficient volume of business to justify a larger type ship coming into it.

MR. WILSON: In giving a full cargo rate rather than a carload rate or a rate forseveral carloads.

MR. SIMARD: Do you think, Mr. Wilson, capital would be interested in ship building or in improvements to shipyards if they knew they would have a certain security and if there was some restriction on Canadian ships being built or repaired in other than the actual shipyards in Canada?

MR. WILSON: That was not what I said.

MR. SIMARD: No, I am asking you. I said, do you think capital would be interested if the shipyards were assured of a certain security? In other words, if capital would be invested in a shipyard and the shipyards would know that they would not be out beating themselves or having to compete with the foreign shipyards and they would know whether they were going to have ships to build next year or ships to be repaired next year, like the Ryholm in Davie's shipyard being inspected and put back in the water and sent back to the Old Country for repairs?

MR. WILSON: At the present time we maintain there is not enough work for the present shipyards and if there is not a tremendous volume of work coming out of the Seaway or something else, there will not be

enough work to keep the present shipyards going. I do not think there is any need for more shipyards in Canada.

MR. SIMARD: Supposing such a restriction happened and we had a bottleneck and the shipyards could not meet the demand?

MR. WILSON: I do not think we would be interested in building any more shipyards.

MR. SIMARD: Do you feel, with the actual set up of shipyards in Canada, that the ship building industry could meet the demand?

MR. WILSON: Yes.

MR. SIMARD: Your answer is yes?

MR. WILSON: Yes.

MR. BELL: I wonder if I might ask Mr. Wilson a question?

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At the hearing in Halifax a Captain Himmelman from Lunenburg appeared at the hearings and charged that ship building yards were not interested in building coastal shipping. He wished to have a boat built and sent out five requests for quotations to Canadian shipyards and only received one reply, which was double the cost he could have the vessel built for in the United Kingdom. I was wondering if your company received such an inquiry?

MR. WILSON: I do not recall receiving any requests from that gentleman, but a 40 percent increase in building costs appears to be reasonable.

MR. J. F. H. TEED, Q.C.: May I ask some questions, Mr. Chairman? My name is Teed.

I represent the Irving Pulp and Paper Limited, which is a shipper, and also two companies which own and operate coastal vessels, the Kent Lines Limited and Brunswick Motors Limited. The Brunswick Motors are not listed in the Maritime Transportation Commission brief but they operate a ten thousand ton vessel, the Irvingdale, which is a Canadian vessel.

Some of the questions I may ask may be unnecessary but I do not know what has taken place in other centres and I am only trying to clear my own lack of understanding.

THE CHAIRMAN: I think we will take a ten minute recess and you can put your questions when we resume.

--- Recess from 4.25 to 4.45 o'clock P.M.

MR. GERITY: Mr. Chairman, before Mr. Teed proceeds, as a matter of procedure, I do not want to be tedious, might we know what the position of his clients is with regard to this matter before he be allowed to examine Mr. Wilson?

THE CHAIRMAN: I think we can determine that best from his examination. If he wants to make any representations he is free to do so. No brief was filed by any of the three clients Mr. Teed has named, but I know of no canon of procedure which should require me in any way to prevent or impede any questions he thinks are relative to this Commission and which he wishes to ask this witness.

Proceed, Mr. Teed.

MR. TEED: In the course of your evidence

earlier this afternoon you stated that as far as the Saint John Drydock Company is concerned the deep sea fleet has ceased to exist or words to that effect. What did you mean by that?

MR. WILSON: I meant it had ceased to exist as far as we are concerned. We do not see any more work on the deep sea fleet.

MR. TEED: By deep sea you mean vessels engaged in foreign trade as such?

MR. WILSON: That is right.

MR. TEED: Did you at one time have some volume of work of that character?

MR. WILSON: Yes. Before the war we depended on that to quite an extent.

MR. TEED: Would it be, say, a major portion of your work before the war and also during the war?

MR. WILSON: No, it was a substantial portion of the work before the war and during the war the ships of the Allied nations which were engaged in the transportation of supplies to Britain was representing 80 percent of our work.

MR. TEED: What happened after the war?

MR. WILSON: Well, after the war there was a certain amount of merchant shipping work that developed as an aftermath of the war. We converted some ships that were used by the Navy as supply ships into bulk carriers, and that represented quite a substantial volume of the business we did in those days. Then, of course, some of the United Kingdom ships did not find it as convenient to repair in their own yards

because their own yards were busy with other work and we obtained some overflow of that work.

MR. TEED: What is the cause for it having departed, your costs are too high relative to costs in other countries?

MR. WILSON: Well, as far as United Kingdom and foreign flag ships, that is the answer; and the fact that there is the matter of the availability of sterling as well, all these United Kingdom ships want to keep the money in their own country, and I suppose the same thing applies to the foreign countries.

MR. TEED: Turning to the brief of the Canadian Ship Building and Ship Repair Association, of which your organization is a member?

MR. WILSON: Yes, that is right.

MR. TEED: At page 21, I find the following statement, and I will just read it to you, it is the third paragraph --

THE CHAIRMAN: What is the brief number, please?

MR. MUNDELL: B82.

MR. TEED: I will just read it:

"...on May 1st, 1955, there were only "twenty-two vessels of all kinds ..."

MR. GERITY: Brief 38, I think, Mr. Chairman. I am sorry, you are right.

MR. TEED: "...ten barges, three scows, one "dredge, one tug, two ferries, one package "freighter, three canallers, one cargo "vessel - being built in Canadian yards, "mainly for Canada's coasting trade: none

"for Canadian owners engaged in international "trade - none for foreign buyers."

MR. MUNDELL: Page 14 in the printed brief.

MR. TEED: Now, what is the reason for that, Mr. Wilson, in your opinion, the reason for the failure to get orders from Canadian owners engaged in international trade and from foreign buyers?

MR. WILSON: Well, first of all, the reason no orders for ships for the Canadian international trade is that it costs more to operate a ship under Canadian registry than it does to operate one under a United Kingdom flag or United Kingdom registry, or a foreign flag, due to the increase in operating costs, higher wages and higher standards of living in this country, compared with the other countries. There are no orders for foreign flag ships because they can be built more cheaply in their own countries, although some years ago Canada did build foreign flag ships. The yards built them because they could not obtain deliveries in their own countries or their yards were not in shape to build these ships due to war conditions.

MR. TEED: Well, again, just speaking about cost of construction of Canadian vessels as compared to United Kingdom vessels - that is tabulated on page 17 of this brief -- I am sorry, that is cost of operation. On some other page there is a reference to different costs of construction. Is it true you can both build and operate a United Kingdom vessel cheaper than a Canadian vessel?

MR. WILSON: I do not think anyone will take

issue with you on that point.

MR. TEED: I am speaking, Mr. Wilson, entirely of the maritime area, I do not know anything about the Great Lakes. In this area most of our New Brunswick ports are icebound for some months of the year. Saint John is open, of course.

MR. WILSON: What ports? Digby isn't; Yarmouth isn't.

MR. TEED: New Brunswick.

MR. WILSON: Oh, yes.

MR. TEED: The north shore is wholly icebound.

MR. WILSON: I do not know. I am not familiar with the north shore ports.

MR. TEED: Have you ever heard of any ports being open through the year up there?

MR. WILSON: I have not had any occasion to know whether they are or not.

MR. TEED: I am suggesting --

THE CHAIRMAN: Mr. Gerity's comment begins to have considerable merit. When you say you suggest, if the witness does not know you cannot give evidence in his place.

MR. TEED: Have you ever been up there in the winter months?

MR. WILSON: No.

MR. TEED: How about the Fundy ports, other than Saint John?

MR. WILSON: I know Digby and Yarmouth in Fundy, we know Saint John is open all year round.

MR. TEED: How about Moncton?

MR. WILSON: Well, you would not call that a sea port, would you, Moncton?

MR. TEED: International vessels go in there at times carrying cargoes. Perhaps you have seen them; perhaps you have not.

MR. WILSON: I have not been there to know what they are but I do know the aids to navigation are lifted in the winter time so I presume there is no navigation.

MR. TEED: You say the aids to navigation are lifted during the winter months?

MR. WILSON: In the upper reaches of the Bay of Fundy.

MR. TEED: And there is little or no navigation up there at that time. What happens to the boats which might otherwise be engaged in coastal trade? I suggest they are laid up or have to engage in foreign trade?

MR. WILSON: For instance, what boats are you referring to? May I ask that question?

MR. TEED: I am speaking generally.

MR. WILSON: I do not know of any.

MR. TEED: It is just an abstract question, if there are any boats engaged in that type of trade.

MR. WILSON: I cannot answer that.

MR. TEED: I am not speaking of regular runs; I am speaking of boats which in fact engage in coastal trade.

MR. WILSON: I cannot answer the question.

MR. TEED: And I am speaking particularly of boats operated by the parties I am representing. Do

you know what they do?

MR. WILSON: If their ships are operating to ports which are frozen up or not available in the winter time, why, the only thing they could do is to lay up or find employment elsewhere.

MR. TEED: Foreign trade.

I am coming to another question you answered. Perhaps I was not quite clear because I was sitting at the back. You were asked with reference to the reduction by the railway of rail freight rates to meet water rates and I think you answered to the effect that you understood they did reduce their rates, the railways did reduce its rates to meet water rates. Is that right?

MR. WILSON: Well, the only case of which I have any knowledge is when ships were carrying sugar from Saint John to Montreal, because we were repairing the ships, and when the railways cut the rate and it was no longer advantageous to ship by water, or the rate was lower than the steamships could carry it for, they took the ships off and we lost the business.

MR. TEED: I am suggesting that the railways reduced their rates below water transportation costs and that is why the ships had to be taken off.

MR. WILSON: I do not know.

MR. TEED: You do not know?

MR. WILSON: All I know is we lost the ships and that is the reason we were told we lost them.

MR. TEED: What were you told, that the rail rates were below their costs?

MR. WILSON: I do not think we were told anything in detail; I think we were told the competition was such the ships could no longer operate at a profit.

MR. TEED: Now, Mr. Wilson, you have joined in this brief which urges that the coastal trade of Canada be restricted to Canadian vessels.

MR. WILSON: Our Association.

MR. TEED: Now, I think from what you have said that the Association accepts the fact that foreign vessels, rightly or wrongly, can operate, and do operate more cheaply than Canadian vessels. Then, if your request is acceded to, it will mean, will it not, that that portion of the Canadian nation which makes use, to some extent, of coastal transportation will be bearing the cost of keeping shipyards and employees of such organizations in a condition so that they may be available in case of the outbreak of war?

MR. WILSON: What part of the country, Mr.Teed, are you referring to, Newfoundland or Nova Scotia or the Great Lakes?

MR. TEED: No, my question now is general, I am referring generally to the position which you advocate should be recommended by this Commission, or the condition you recommended should be instituted; namely, that no foreign vessel should be allowed to engage - and by foreign vessel I include British - in the coastal trade of Canada. Now, then, I think it is common ground that if that is requested the cost of the coastal trade carried on wholly by Canadian vessels will be greater than it is today?

MR. WILSON: It could be, but then the question is: Will the hardship imposed on the people affected thereby be offset by the advantages there will be to other parts of the country, and a greater number of people?

MR. TEED: I am suggesting alternatives as was mentioned by the Chairman. This particular type of, I am going to call it subsidy, it is a subsidy by a class who are forced to pay higher rates for transportation - it will not affect railway or truck men, but it does affect water and coastal transportation, that type of user is, in fact, being called on to subsidize the keeping of the ship building and shipyard organizations so that they can be available in case of war.

MR. WILSON: That may be, but it is no different than all the other industries in Canada which enjoy protection and subsidization by people, and the taxpayers particularly. Would the motor car industry in Canada have been built up, would a dozen other industries have been built up otherwise? A shipyard does not receive any protection whatever; it has been on its own for years.

MR. TEED: The alternative suggestion is that the subsidization should be done by the country as a whole, the taxpayers as a whole, rather than a limited number of taxpayers having to bear it all.

THE CHAIRMAN: What makes you think, Mr. Teed, you can ignore the economic fact and suggest that it does not pass on beyond the shipper?

MR. TEED: No, I am putting it this calls on taxpayers who, either directly or indirectly, have to make use of coastal water transportation, as distinct from the taxpayers as a whole who make use of rail and truck transportation and international transportation.

THE CHAIRMAN: You might find the difference between that and the total number of taxpayers would be very small, in that it is only a question of how far you can trace back the impact of all increased costs. However, that is an economic problem on which we will have to have the assistance of economists.

MR. TEED: Has your organization given consideration - I think possibly the Chairman has already put the question to you, but I will put the question to you again and follow it up - to a capital cost subsidy with respect to ship building?

MR. WILSON: That does not apply to us. The only person to apply for a capital cost subsidy would be the ship owner who wanted to build a ship. It does not concern us and would be none of our business.

MR. TEED: Have you ever considered such a scheme?

MR. WILSON: I have said our Association spoke for all the yards. I only represent one of them butI feel that we would be glad to give consideration to such a matter if the Commission asked us to do so. It would require a very great amount of study because it is not something that you are going to decide in a moment, you are not going to

drop on a remedy at once, it is very far reaching, the matter of subsidy. Another thing, we have found in our association with the government that the matter of subsidy in ship building is a very taboo subject to bring up. We have had quite a few dealings with the government in the last ten years.

MR. TEED: At the present time the government has appointed a Commission to investigate this subject of coastal trade and I was wondering if your Association had made any study of approaching them for a subsidy?

MR. WILSON: No. All we have asked for is the restriction of the coastal trade to ships registered in Canada and, thereafter, to ships built in Canada. We have not gone beyond that.

MR. TEED: So far with respect to construction, and perhaps again I may be duplicating, but have you ever given consideration to asking governmental assistance for the shipyards by way of some kind of subsidy or payment of a portion of the cost of repairs so that you might compete here with foreign yards in repairing not only Canadian ships but also foreign ships? Have you ever given consideration to that?

MR. WILSON: Off hand I would say that no practical plan along those lines could be worked out.

MR. TEED: If you have not considered it, how can you be in a position to say that?

MR. WILSON: I am saying off hand from the experience I have had.

MR. TEED: I think that is all I wanted to

ask.

THE CHAIRMAN: Any further examination?

MR. GERIN-LAJOIE: Mr. Chairman, I do not wish to impose too much on Mr. Wilson, who has been very kind in answering many questions, but I mentioned to Mr. Wilson during the recess, two or three questions I wished to ask him.

Mr. Wilson, would you be so kind as to tell the Commission what, to your knowledge, are the major reasons for the difference in cost of building a ship in Canada and outside Canada?

MR. WILSON: Well, the principal --

MR. GERIN-LAJOIE: I mean overseas, excluding the United States.

MR. WILSON: The principal factor is a matter of wages, which not only applies in the individual shipyard of Canada as compared with the shipyard in the United Kingdom or some foreign country, but the wages go all down the line, all the components, all the parts that the ship builder uses to put into the ship, are affected by the higher wages. That is governed by the standard of living in Canada as compared with the standard of living in these other countries.

MR. GERIN-LAJOIE: If we were to restrict our considerations to the wages a company or a shipyard like yours has to pay, is there any difference between the wages paid in this province and the wages paid, let us say, in the St. Lawrence River shipyards?

MR. WILSON: Yes, there is a very decided difference. At the present time we are paying our tradesmen $1.62 an hour; in the yards in Quebec - that is, in the City of Quebec or Lauzon - they have been paying $1.38. Recently we have noticed that a board of arbitration has recommended a nine cent increase.

MR. GERIN-LAJOIE: In Quebec?

MR. WILSON: In Quebec, yes.

Now, they have also been working a 48 hour week up there against our 40 hour week, which makes a very decided difference because many times we are called on to work overtime,in ship repair work particularly, and if you have a 40 hour week as against a 48 hour week or 45 hour week, it makes quite a difference. I believe the board of arbitration recommended a 45 hour week in place of the previous 48 hour week.

MR. GERIN-LAJOIE: Now, is it your view that this difference in wage and labour conditions in, take the particular instance you have mentioned, Quebec and New Brunswick, may account for the small number of contracts you have had in ship building and ship repairing?

MR. WILSON: We feel ithas a very decided effect. On many occasions we have bid on vessels - like, for the Department of Transport - and when the tenders were opened and the bids compared many times we have found our price was just a little higher

it all down to the amount of labour that was in it and subtracted their lower wages from our labour cost the thing reconciled. So, we feel it is a considerable handicap to us.

MR. GERIN-LAJOIE: Now, regarding the type of work you do in your shipyards, the Commission has found out in Halifax during its visit to the shipyards over there and the hearing, that quite a number of fishing vessels are being repaired in Halifax shipyards. Do you have any repairing of fishing vessels in your yards?

MR. WILSON: I do not know of any trawler fleets which operate in the Bay of Fundy, so Saint John is not the home port of any of these fleets. Halifax, Lunenburg, and these smaller places along the coast do have ships operating out of their ports, and, naturally, when they have repairs to be made they go to the shipyard closest to home.

MR. GERIN-LAJOIE: The last question I had in mind is whether you would go so far as to say your company might be put out ofbusiness if there were no change in the legislation as suggested in your statement?

MR. WILSON: Well, we would not go so far as that; but looking into the future as far as we can the picture does not look very encouraging. Also, looking back over the years we have been in business, we have faced situations which were probably just as bad; although now we can see, with practically no Canadian deep sea fleet and very few, if any, repairs

to foreign ships, that the situation is going to be increasingly difficult for us. Whether it will mean we can stay in business or not, we cannot say. We are slipping down wind, but I think only time can tell that.

MR. GERIN-LAJOIE: THank you very much, Mr. Chairman.

THE CHAIRMAN: We will adjourn and re-convene at ten o'clock tomorrow morning.

--- Whereupon the hearing adjourned at 5.15 o'clock P.M. on Monday, 8th August, 1955, till 10.00 o'clock A.M. on Tuesday, 9th August, 1955.

TUESDAY, AUGUST 9, 1955

--- On resuming at 10.00 o'clock A.M.

SUBMISSION OF INDUSTRIAL UNION OF MARINE AND SHIP BUILDING WORKERS OF CANADA, LOCAL NO.3 AND ASSOCIATED GROUPS

THE CHAIRMAN: Yes, Mr. Gerin-Lajoie?

MR. GERIN-LAJOIE: Mr. Chairman, I believe the first group to be heard this morning is the Industrial Union of Marine and Ship Building Workers of Canada and other associated groups in the brief.

THE CHAIRMAN: Your name, please?

MR. J. M. FOSTER: My name is Mr. J. M. Foster of the Industrial Union of Marine and Ship Building Workers.

THE CHAIRMAN: Yes?

MR. FOSTER: We are appearing, Mr. Chairman, and members of the Commission, in support of having the Canada Shipping Act amended so as to have a restriction placed on the bringing of non-Canadian vessels in the coasting trade. Our union is from the Saint John Drydock. There is no need of my going into the details of the facilities of that company as Mr. Wilson touched on them yesterday except to say we are very well equipped to build the type of boat which would be used in the coastal shipping trade. At the present time the company is faced with the possibility that when the Naval work is finished there will be no work available in the near future for these men.

We have built up quite a large working crew of

highly skilled men at the plant and they are faced with the possibility that they will not be able to obtain work anywhere in this district in any other trades.

I might touch at the same time on the Chignecto canal in relation to the coastal shipping trade. We feel it is very important for this reason: There could be time saved by boats coming down the St. Lawrence. Also, it would open up our natural resources on the north shore. There is a possibility of a smelter being set up in this area and the Chignecto canal would save them about two days' travelling time.

Our hope is that if this trade were restricted to Canadian boats there would be a possibility of some of the repair work falling our way. There is also the possibility that in time some of these corvettes will become obsolete and they may become available for this type of trade.

There is also the possibility of an oil refinery being set up in this district and if the Chignecto canal were put through possibly these boats would be able to go up through it to the north shore and deliver their products there.

We would also like to request this Commission to recommend that there be more car ferry services on the coast here - freight cars - to Nova Scotia. The boat which is in service at the present time is not adequate to carry the available amount of traffic across as they seem to be booked up for months in

advance.

I would also like to bring to your attention the islands lying off our coast which have practically no service now. Some have service but some have very little service. We would request that you recommend something along that line.

We would also point out that the Chignecto cahal would offer boats coming down the St. Lawrence shelter in war time.

I would also like to say something about the outlook in our plant, which at the present time is very grim, as was mentioned yesterday. Mention was made yesterday of some of the things which occurred before the war in regard to Naval work. At the present time we have very little Naval work and what has come in has not stayed very long. It was mostly paint jobs which would maybe only last two or three days.

One of the gentlemen brought out that these men might be used in other categories throughout the plant. They touched on the structural steel end. However, the structural steel end takes care of very few men as most of the work there is done by lifting cranes. There are very few men there and there is not much opportunity except for certain men who are able to climb in the air and maybe take very grave chances there.

In relation to the Park boats, it was our understanding when these boats were sold that the money would be used to replace these boats and that they would be built in Canada. That was our

understanding shortly after the war. We find now that out of the $45,000,000 or $44,000,000 that quite a bit of this money has already been spent. I know our company did not build any of these boats and I have not heard of many others that have replaced this tonnage. We had the idea that possibly the money was still there but we find out now that there is no money, so we will not be able to obtain anything from that source.

We feel, however, that the United Kingdom is favoured by our Coastal Shipping Act but that it is not giving the average person in Canada very much benefit because we do not feel an awful great benefit. You may have heard that a short time ago they had trouble with their crews because of money. They discovered their money did not have the same value over here as it did in their own country; so, naturally, they would have to go back to their own country or send their money over there in order to get the value of it.

At this time I would like to call on Mr.Mellis and Mr. McGrath, two men of our delegation here, and following them, Mr. Vincent, to touch on some other aspects of our brief.

THE CHAIRMAN: Mr. Ernest Mellis?

MR. MELLIS: I represent Local 3 of the Industrial Union of Ship Builders and I should also like to support Mr. Foster's views on the Chignecto canal which would provide an economical way for Canadian coastal shipping around this coast to operate.

Any loss which might be felt by higher operating costs would be offset by the cheaper transportation rate established for, say, iron ore from Seven Islands to smelters, say, in Philadelphia or such ports on the American coast.

The creation of a thriving Canadian coastal fleet would bring employment to hundreds of skilled seamen who have been forced into other industries since the practical demise of the Canadian deep sea fleet. Some of these men are working in the shipyards and now are facing the loss of their jobs in the shipyards.

We noticed in one brief - maybe more - that some parties have advocated a ban on non-Canadian shipping only west of Anticosti Island in the Gulf of St. Lawrence, which would not include the maritime provinces and Newfoundland. We cannot see how this has any bearing on the coast as a whole. A certificat of competency for masters and mates in Home Trade vessels or Coasting Trade vessels goes down as far as five degrees north of either coast and includes the Panama Canal. Therefore, we are wholly against any move to divide Canada into two parts in any subsequent government policy on this.

We have heard about free trade, allowing British and foreign ships to compete in this market; and yet, at the same time, when Canadian shipyards had an opportunity to bid and were accepted on the building of some freighters for Russia it was turned down because it was not the government policy to

allow these ships to be built for Russia - not that we are advocating the policy Russia is using but we feel that we should at least have the opportunity to trade with them as regards peace time use of their ships.

I think that is all I would like to touch on, Mr. Chairman. Thank you very much.

MR. GERIN-LAJOIE: Mr. Mellis, will you repeat for the purpose of the record, the name of the group you represent?

MR. MELLIS: Local 3 of the Industrial Union of Marine and Ship Building Workers.

MR. GERIN-LAJOIE: Does this union represent workers in different parts of the industry?

MR. MELLIS: It includes the boiler makers, steel workers, welders.

MR. FOSTER: Steel workers.

MR. MELLIS: And painters.

MR. FOSTER: Painters, Labourers, structural steel workers.

MR. GERIN-LAJOIE: There are no seamen in your local?

MR. MELLIS: What I mean by seamen are ex-seamen who lost their jobs at sea and came to work in the shipyards because that was the best work they knew.

MR. GERIN-LAJOIE: This is all I have for the moment. I will wait until the other delegates have explained their case.

THE CHAIRMAN: Proceed, please, Mr. Foster.

MR. FOSTER: Mr. McGrath.

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MR. W. McGRATH: Mr. William McGrath, Local No. 3, Industrial Marine Ship Workers.

Mr. Chairman and members of the Commission, I would like to speak on this question of the sale of former Park ships and the escrow fund. As a seaman for approximately seven years, I sailed for six Canadian shipping companies. The money from the sale of these Park ships was to be turned over to escrow and in turn was to be spent on new coastal or lake ships. As far as I know there were none built in this yard or the Maritime yard forany coastal shipping companies. Myself and other seamen know of no new coastal shipping company that has received any of these moneys from escrow.

The Honourable Mr. Chevrier stated that two 28,000 ton deadweight tankers are being built in Eastern Canada for deep sea operations. According to information I have obtained these two tankers are being built for the Onassis Shipping Company, a Greek concern. If we could find out where these moneys are, or if there is any and it could be used to build new ships for the coastal shipping it would certainly help our yards and other yards in the maritimes.

I think that is all I have, sir.

MR. GERIN-LAJOIE: Mr. McGrath, I would like to ask only one question: You mentioned that to your knowledge no replacement ships, referring to these Park ships, no replacement ships have been built in the Maritime yards. The Commission has information that some replacement ships have been built by,

at least, Vickers in Montreal, if by no other shipyard in Canada. Is it possible no replacement orders have been placed in the Maritimes because the cost of ship building here would be higher than it is in, say, Quebec?

MR. McGRATH: Well, it could be, sir. I don't know. I don't know the figures of the Montreal yards or the Quebec yards.

THE CHAIRMAN: Well, you heard them yesterday, you heard them compared yesterday, did you not?

MR. McGRATH: Yes, I believe they are slightly lower in some of the yards.

THE CHAIRMAN: It is not a matter of being slightly, is it? Mr. Wilson quoted those rates.

MR. McGRATH: Yes, but in Mr. Wilson's speech he was quoting a yard that certainly could not handle the sort of shipping that we handle, sir.

THE CHAIRMAN: What yard are you from ?

MR. McGRATH: Saint John Drydock, sir. I am referring to the Lauzon yard, as Mr. Wilson was, I believe, in the prices he quoted here.

THE CHAIRMAN: The Lauzon yard?

MR. McGRATH: Yes, sir.

THE CHAIRMAN: Can not handle -- ?

MR. McGRATH: Can not handle the types of ships and the size of ships that we can, sir.

COMMISSIONER WICKWIRE: You mean there,a big dock, big wages?

MR. McGRATH: Well, I don't know, sir.

COMMISSIONER WICKWIRE: Is that what you mean?

MR. McGRATH: It isn't that, it's just that our union has come up through the years and we have gone along with our rising costs of living.

THE CHAIRMAN: You may have priced yourselves out of the market, in short, and this might be an example.

MR. McGRATH: Well, I would safely say we are a bigger yard and a higher priced yard.

THE CHAIRMAN: And, for that reason, the lower priced yard gets the business. If I am buying a certain article and can get the same thing at two stores, one at $2.00 and one at $1.50, the $2.00 store does not get much of my business. Similarly, a man buying a ship is talking in millions where I am talking in dollars.

MR. GERIN-LAJOIE: Those are all the questions I have for Mr. McGrath.

MR. SIMARD: I would like to ask a question or two to give some light to the Commission.

Mr. McGrath, your remarks are mainly about the escrow funds?

MR. McGRATH: Yes, sir.

MR. SIMARD: What was the size of the two ships which were built?

MR. McGRATH: 28,000 deadweight tonnage.

MR. SIMARD: I think the Canadian Maritime Commission will supply you with the information of other ships which were built using escrow funds. I know of one company - the Branch Line Limited - which has used a lot of escrow funds, nearly all

the escrow funds it has. Ships like these Park ships were built for a purpose and after the war, true, they were sold cheaply, but they had served the purpose for which they were built and they were not ships which had been built to the standard of normal requirements. So it would take more money, it would take probably the funds from two or three or four ships to build a new one today, especially with the high scale of wages and the high cost of living. I know of at least three companies who have used all their funds.

THE CHAIRMAN: Now, now, Mr. Simard; evidence is given by witnesses.

MR. SIMARD: Excuse me. I apologize.

MR. BELL: Mr. Chairman, I wonder if I might ask a question?

THE CHAIRMAN: Yes.

MR. BELL: Are you aware, Mr. McGrath, the wage rates in Vickers vary to the extent of journeymen receiving $1.63an hour, which is 2 cents an hour more than the rate paid in the major Maritime yards?

MR. McGRATH: I have heard that Vickers were pretty well on the same scale with us; but, there are certain yards in Quebec which do pay lower than us.

MR. BELL: Are you also aware in tenders that have been announced that Vickers have had higher tenders than those supplied by Maritime yards on various government and private vessels during the past three or four years?

MR. McGRATH: No, sir.

THE CHAIRMAN: Your answer was?

MR. McGRATH: No, sir.

MR. FOSTER: I would like to ask Mr. McGrath: You were not aware of the fact there is a possibility that there are other things besides wages that are brought in to affect the scale of wages? I notice in the yards they pay 15 cents per hour confined spaces and most of the work carried on in ship building is conducted in confined spaces. They get 15 cents an hour at Sorel, Quebec. They get from $1.38 to $1.47. Two yearsago they got a 9 cents raise. Tack that 15 cents an hour on and the possibility is that their rates would be quite a bit higher. They also receive, some of them, a 25 percent an hour increase for dirty work. There is nothing here that shows just what type of dirty work, but I do know --

COMMISSIONER WICKWIRE: Does Mr. McGrath know that, Mr. Foster?

MR. FOSTER: I doubt it very much.

THE CHAIRMAN: If he does not know it you should not ask him. You are examining Mr. McGrath. If you wish to give evidence you may do so but do not purport to give evidence when examining Mr. McGrath. The same thing applies to you, or Mr. Bell, or Mr. Simard.

Is there anything further?

MR. FOSTER: Mr. Vincent.

MR. GERIN-LAJOIE: I suppose Mr. Vincent

might as well make his statement with his group and then I have some questions for Mr. Foster or other members of his group afterward.

MR. L. VINCENT: My name is Leroy Vincent.

Mr. Chairman and members of the Commission, we have a brief, B16, on the restriction of the coastal trade and I have been authorized to speak for the four unions mentioned in the brief.

All our members work in and around the Saint John area and are all highly skilled workers. At the present time they cannot leave this area because there is no ship building in the country because Canada no longer has a deep sea fleet. The only work we get is occasional naval repair work. Since the Korean war things have picked up a bit. In 1940 there were 559 employees; in 1943 there were 1500; in 1946, after the war, it went down to 805; by 1950 it was only 408; then, the Korean war started and there was a threat of a world war and it gradually went up and in 1954 there were 1293 employees; in 1955, near the completion of this work, it is down to 1,083 employees at the Drydock. I would say approximately 50 percent of those men are what you might call skilled labour, they are tradesmen; the others are skilled in their certain classifications.

We understand there are no ship building contracts anywhere in Eastern Canada or the Great Lakes so that even if our workers were willing to leave their homes, which they are not, there would be no possibility of them obtaining jobs anywhere in Canada in the ship building industry.

I understand that professional men in this country are all protected in their work, such as doctors and lawyers, that men in these professions cannot come from outside countries and take their work from them. Our trade is not the same; we have no protection. British ships with British crews can come here and trade freely while our men walk the streets with no work. We are not interested in that, we want it stopped.

Take for instance the C.P.R. Saint John is one of their main ports, they sail in and out of here, but when there are any repairs to be made the ships are sent back to England.

When the St. Lawrence Seaway is built we expect there will be a great demand for new ships and we hope to be in a position where we will get some of them.

In brief 25, the Ship Building Conference of the United Kingdom, you will see where they are quite interested in building these vessels. A reference to that desire may be seen at the foot of page 4 of the brief, the last paragraph, and the top of page 5. We do not see why the United Kingdom ship workers should be protected at our expense. When these ships are needed we would like to be able to get the work. Other members of our delegation have spoken on and been asked questions about the wages paid in the St. Lawrence area and in Saint John but I have heard no mention of the wages paid on the west coast. I think you will find that they are higher out there than they are here and also that they have more

employment in their ship repair industry.

THE CHAIRMAN: The distance from Vancouver to the Clyde is much greater than from Saint John to the Clyde.

MR. VINCENT: I am aware of that, Mr. Chairman, but I am speaking of Canada.

THE CHAIRMAN: That is the reason I point out to you it will have to be ascertained if there is any increase in the employment on the west coast, which the brief from the West do not admit, and, in fact, are strenuously of the opinion employment is very poor in the shipyards, which is not surprising when you consider the distance and also their wage rates which are, I agree with you, very considerably higher than the wage rates in the Maritimes, and that much higher than the wage rates in Central Canada.

MR. VINCENT: All we ask for, Mr. Chairman, and members of the Commission, is to be able to continue at our work and at our present trade. We would like to see the restriction of the coastal trade to Canadian vessels. We feel if that is done we will be able to get work building the ships which Canada needs here and in the Great Lakes.

I thank the Commission for their kind attention and on behalf of the union I hope the Commission will see its way clear to recommend the restriction on the coastal trade. Thank you.

MR. GERIN-LAJOIE: I have only one or two questions, Mr. Vincent. You say Canada does not gain anything by having ships built in the United

Kingdom and repaired in the United Kingdom. Why?

MR. VINCENT: I did not say Canada does not gain anything, I say the workers in the trade do not gain anything by it.

MR. GERIN-LAJOIE: Do you feel the people of Canada at large do not benefit to a large extent?

MR. VINCENT: I certainly do. If you have five or six hundred tradesmen in a plant and they are not building ships and they are walking the streets I can not see how Canada is gaining anything if the United Kingdom is building boats for Canada.

MR. GERIN-LAJOIE: Is it your view that if a number of workers are engaged in an industry which cannot support them that they should stick to that industry and that that is good for them and for the country?

MR. VINCENT: As Mr. Wilson pointed out here yesterday, shipyard workers are not trained overnight; it takes time and money to train workers in the ship building industry. The ships being built today are not thrown together, they are highly mechanized and the electronic end is highly technical, as is most of the work throughout the ship. If the company takes men in and has to train them it may take them four or five years to train men properly to the point where they can do this work. But if there is no work the company has been at the expense during the previous four or five years of training these men. Also, if the shipyards do not have work their rates must be necessarily higher when they do get work in

order to put their yards back in repair. These men have to be trained and there is no one to train them except the shipyard that wants them.

MR. GERIN-LAJOIE: You are looking to the well being of workers in the ship building industry. How about the well being of people in other industries? For instance, if your recommendations were put into effect by the Canadian government and they had the effect of putting the potato growers in Prince Edward Island out of business, what would be your reaction to that situation?

MR. VINCENT: I cannot see how it would be possible to put the potato growers out of business. I do not see how that would have any connection because the only hauling there is cross country, in New Brunswick, and if they send them to Venezuela the Venezuelan ships haul them.

MR. GERIN-LAJOIE: A number ofindustries have explained to this Commission --

THE CHAIRMAN: Your instance, Mr. Gerin-Lajoie, is sound. If potatoes cannot go to Central Canada in British bottoms at British rates can Prince Edward Island compete with the potato growers of Central Canada and the United States?

MR. VINCENT: We cannot compete with them in the United States because potatoes cannot be hauled across the border. The Americans can haul them across the border into Canada, though.

THE CHAIRMAN: That is the point I make, the American growers can haul them into Toronto. The

competitive rate now being enjoyed by the Prince Edward Island growers is only being enjoyed by them because the British bottoms threatened to take the traffic away from the railroads.

MR. VINCENT: Mr. Chairman, I have not too much to do with the potato industry, but I happen to have a little knowledge of it because my wife's people are potato growers. My brother-in-law is on the Shipping Board, he is a shipper himself, and if he were available I would have liked to have brought him here. I do not believe it is freight rates which are destroying the Canadian potato market. It is the American competition which is destroying it. The Americans are allowed to haul potatoes into our country. In the United States they have a floor price on their potatoes but we do not have one on ours. The Americans receive so much a barrel in their country whether they sell their potatoes or dump them; while our potato growers have to sell their potatoes or get nothing for them.

THE CHAIRMAN: I do not know what the situation is in New Brunswick but the potato growers we heard from in Prince Edward Island were not of that opinion; they say they are getting into the Central Canadian market,to the extent of many millions of dollars in 1954, by virtue of an Agreed Charge and that Agreed Charge was only made possible as a result of a British bottom which had taken a boat load of potatoes up through the Canal to the Great Lakes.

MR. VINCENT: There was something in the paper

here not so long ago about the number of railroad cars that hauled potatoes from this province up to Upper Canada. In Victoria County I do not think you can buy any potatoes at all.

THE CHAIRMAN: I suggest to you it is as a result of the Agreed Charge, and that is a perfect example of freight charges being kept down by competition from British bottoms. Apart from that you would have the cost of shipping potatoes from here and from Prince Edward Island to Central Canada enough higher that they would not be able to compete with American potato growers.

MR. VINCENT: As I said before, Mr. Chairman, I do not know too much about potatoes.

THE CHAIRMAN: You want to protect that industry by an embargo on American potatoes but first you have to come to a conclusion as to whether there is a need for protection or whether one industry after another is going to be protected. The whole Canadian economy is based on its ability to exist in international trade.

MR. VINCENT: The only thing I am interested in is the protection of the workers I represent.

THE CHAIRMAN: I say to you, and to any group of workers or employers, that you cannot build a high wall around yourselves, you are all part of Canada. It will do you no good to have wonderful protection if no one can buy your ships. Unless the whole economy is buoyant they cannot buy your ships.

MR. VINCENT: I feel if the coastal trade were

restricted to Canadian ships and Canadian crews, if those restrictions were placed in effect a large number of seamen in Canada who sailed on the Park and Fort ships during the war would be going back to sea to man Canadian ships. Also, ships have to be inspected and repaired, whether here or in the St. Lawrence area and the people as a whole would benefit.

COMMISSIONER WICKWIRE: Some of these men would not be working because they would be watching the stevedores.

MR. VINCENT: It is possible. A lot of men who sailed under the Canadian flag during the war sailed forforeign ships.

THE CHAIRMAN: Sailing for United Kingdom ships?

MR. VINCENT: Yes, I think so.

THE CHAIRMAN: At United Kingdom wages?

MR. VINCENT: I do not say it is anybody's wish to see Canadian workers work for the amount of money the English workers are receiving. The labour unions in this country deserve credit for bringing the standard of living of their workers and people to the height it is today, and nobody wishes to see it go any lower.

THE CHAIRMAN: There is no opposition to that. However, your own statements prove, having done so, they have priced themselves out of two trades, ship operating and ship building and everything you have said is in full confirmation of that.

MR. VINCENT: No. You take the wages in the United Kingdom, if a Canadian worker in the shipyards was to work for the wages they receive in England he would starve to death, he could not live. Look at the wages they pay in the United Kingdom. They build ships, the hulls are sitting there, and then they get a buyer for it. The understanding I have is that the government operates these yards.

THE CHAIRMAN: How?

MR. VINCENT: They get the money from the government to do this. They build the hull of a ship and get a buyer for it. They can afford to do it and then get a buyer.

THE CHAIRMAN: I am afraid your understanding is wrong. So far as I know, the only type of subsidy in effect in Great Britain is the same thing as in Canada, yearly depreciation forincome tax purposes.

There might be a great deal to what you say in regard to indirect subsidization of the workers; subsidization,not so they can pay higher wages but so they have to pay less of those wages for living.

MR. VINCENT: Yes. I understand the raising of the standard of living is done through the government, is it not, in England? These workers have sick benefits which are paid by the state; whereas here in Canada the individual has to pay for that himself out of his hourly wages. I think you will find their wages are a lot higher than the amount given if that is taken into consideration.

THE CHAIRMAN: A Canadian purchasing a ship

on the Clyde will be free of much of the cost by way of income tax, corporation tax, and excess profits tax and everything else - that is, on the English level - that his English competitor would have to pay. So, there might be a degree of competition which is not apparent and which is very material and makes the English market look cheaper than it really is.

MR. VINCENT: It is not as cheap as it appears to be on paper, without taking everything into consideration.

MR. GERIN-LAJOIE: Mr. Vincent, I mentioned the potato growers, because, as I understand for the purposes of argument to the Commission it has been explained by a number of industries, particularly in Newfoundland, that their operations are marginal and if the cost of transportation goes up they would not be able to compete any more with, let us say, industries from South America on the American market and so forth. Therefore, I wondered if you or your group felt interested in the future of workers in other fields?

MR. VINCENT: You mentioned Newfoundland. In all fairness to Newfoundland I do not see how anybody can expect me to be interested in the workers in Newfoundland when the jobs of our own men here in this province would be at stake. My job is the same as any other man's job, I try to protect the men I represent. I cannot be interested in those in Newfoundland. That does not sound correct or the right way to put it but I am interested in the workers here. My case is based on their welfare entirely.

MR. GERIN-LAJOIE: Thank you very much.

THE CHAIRMAN: Have you any questions for any of the others?

MR. GERIN-LAJOIE: Yes, for Mr. Foster, Mr. Chairman.

I have a number of questions for you, Mr. Foster, but if you feel any other member of your group or of your unions is more qualified to answer the question just tell the Commission and we will ask that person to answer the question in your place. Would you explain, first, what the Industrial Union of Marine and Ship Building Workers of Canada, Local 3, Saint John, includes?

MR. FOSTER: Well, it includes the workers from different departments on the Drydock. We have bargaining rights for men working in, mostly, the steel department, in connection with the steel. Like, there is the painters, what they call the yard gang that do the cleaning up and docking up of the boats, they dock the boats, along with the carpenters. We have no bargaining rights for the carpenters. We have bargaining rights for the structural steel workers and the steel workers that work on the ship repairs generally, like, rivetters, welders, caulkers, burners and such.

MR. GERIN-LAJOIE: How many members have you in your union?

MR. FOSTER: In our union we represent between six and seven hundred men at the Saint John Drydock.

MR. GERIN-LAJOIE: At the present time?

MR. FOSTER: At the present time.

MR. GERIN-LAJOIE: Have you any idea of the number of workers represented by the other locals mentioned at the beginning of your brief?

MR. FOSTER: At the present time I would say approximately 500.

MR. GERIN-LAJOIE: Now, can you tell the Commission whether these figures have varied considerably, let us say, in the past three years?

MR. FOSTER: Well, they have. As Mr. Vincent touched on as he gave a resume of the figures. You have the brief there. It would work out, on the average, pretty well, as they increased in the other departments, we would also increase ours. At one time in 1943 it would be 1522 employees. I would say possibly between eight and nine hundred employees would be represented by our local. Between six and seven hundred would be represented by the other unions.

MR. GERIN-LAJOIE: Could you tell the Commission how many workers in your union have been working, let us say, from 1948 --

Actually, Mr. Chairman, I think I will file for the purposes of the record, figures submitted to me by Mr. Vincent, and if they are not correct, Mr. Foster, would you or members of your group correct them? The average number of employees in the Saint John Drydock Company Limited and associated companies,--

MR. FOSTER: No, that is just Saint John Drydock Company.

MR. GERIN-LAJOIE: Including the Saint John Iron Works?

MR. FOSTER: That has nothing to do with the iron workers.

MR. GERIN-LAJOIE: 1940 to 1954: 1940, 559; 1941, 912; 1942, 1253; 1943, 1522; 1944, 1283; 1945, 1163; 1946, 805; 1947,805; 1948, 441; 1949, 441; 1950, 408; 1951, 619, 1952, 930; 1953, 1085; 1954, 1293; and, 1955 --

MR. VINCENT: 1083.

THE CHAIRMAN: This will be Exhibit 41.

MR. GERIN-LAJOIE: I file them on record just as a statement.

THE CHAIRMAN: If you read from it it should be an exhibit.

MR. GERIN-LAJOIE: Actually I read from notes handed to me by Mr. Vincent and this document includes other notes. If you do not insiste for me to file this document --

MR. VINCENT: These figures are given by the Workmen's Compensation Board and are presumed to be correct.

THE CHAIRMAN: Have the reporters got those figures accurately?

THE REPORTER: Yes, Mr. Chairman.

THE CHAIRMAN: Then, it need not be marked.

MR. GERIN-LAJOIE: Mr. Foster, I wanted to ask you if you knew what the members of your union who worked in the Drydock here have done when a slowdown has existed in this industry and they

ceased to work for the Drydock?

MR. FOSTER: At the present time?

MR. GERIN-LAJOIE: No, let us say from 1948 to 1950, which was the lowest point of employment at the Saint John Drydock. What were your workers or the members of your union, doing at that time; that is, those who were not working at the Saint John Drydock? Have you any information as to that?

MR. FOSTER: We had a large number of employees in 1945 - it was 1163 - and then it gradually went down until in 1950 we reached the lowest point. At that time we had a highly skilled crew there. Some of those men have gone and we have not seen them since we started up again in 1951 when we began to build up our work force again. We had practically to build a new crew and we are now faced with the possibility that that same situation is going to exist again, that these fellows will go away and seek work in other industries. I think your question was what these members did. Some of them obtained work in other industries.

MR. GERIN-LAJOIE: In the Maritime provinces or elsewhere in Canada?

MR. FOSTER: Well, a lot of them around here just went into other industries which were more stable.

Also at that time we were very fortunate in that our boss had taken a contract on a wharf down here, on the construction end of it and we were able to change over to that and work - but they did not work at the wages they had been used to getting at

the Dock. Tradesmen had to come down and work at the labouring rates in order to exist at that time.

MR. GERIN-LAJOIE: Well, do you consider that as abnormal, that the earnings of workers go up and down over the course of the years?

MR. FOSTER: Well, to a certain extent. If a man was used to a certain standard, that he was getting his wages, no man if he is in a certain trade or is a doctor, or anybody else, would like to have to go down and walk in the streets, if there was a surplus of doctors in this town; but the men at the shipyards have had to take that and rather than try to exist on Unemployment Insurance they would take these jobs and thought they were very fortunate to get them.

COMMISSIONER WICKWIRE: Supposing a doctor would treat you for a little bit less in order that he could get more patients, do you think he will do that?

MR. FOSTER: I just did not get that?

COMMISSIONER WICKWIRE: You say if there is a surplus of doctors around they should never take less than they have been earning.

MR. FOSTER: I never said they should never; I said they would not like it.

COMMISSIONER WICKWIRE: No, but supposing he would treat you and give medical advice for a little bit less in order that he could live, don't you suppose he would do that?

MR. FOSTER: Well, if it is possible, they

would.

COMMISSIONER WICKWIRE: I am suggesting it might be possible, in order to have your shipyard fully employed, if you could get your men to go to sea for a little less and you would work for a little less, or work a little longer or harder, then your shipyard might be fully employed. Would you agree with that?

MR. FOSTER: If it is a possibility of that I think we would look into the situation, but that possibility has never really been put forward to us, that we could actually get more work if we were working for less money.

THE CHAIRMAN: What do you mean, the possibility has never been put to you? I think I have said two or three times since this sittings started this morning that you probably have priced yourselves out of the market. I am sure it has been said a hundred times in the Maritimes in the last two months, that the cost of British ship building is a fraction of the cost in Canada and that the chief difficulty is the difference in the wage rate. Now, if that is not saying to you, and to all your fellow workers, that if you want to get ship building, do so at lower wages. I cannot understand how it could be more plainly said.

MR. FOSTER: Well, in answer to that, Mr. Chairman, -- I mean, you take in the United Kingdom, I believe that they get $20.00 a month added to their rent. Well, if I could get $20 a month added to my rent or taxes, whatever you want

to call it every mohth I think I could stand with less money too. They also have a sick and holiday plan that they do not have to worry about, while we pay approximately $6.00 a month for a plan which I do not think would cover us to the extent that theirs does.

Their clothes, if you want to buy a suit of clothes over there for 6£ something, you could get a suit of clothes. Maybe their wages are not as high as ours, because I think probably the people in this country take the value of the pound as $2.00 something, but in England I think they value their pound in dollars as $4 something. They may have passed out this money in order to devaluate their pound but I think the average person in England still feels that their pound is worth $4 and something, although in our market it is only worth $2 something. That has a great deal to do with the wages. These people can go over there and buy boats that much cheaper and it is not merely due to the fact that they are working for cheaper wages.

THE CHAIRMAN: You say the real wages are not so very much different because to the British workman's wages there must be added all these social benefits he receives by the way of social services, subsidies, food and shelter and, therefore, in order to pay Canadian workmen/wages commensurate in dollars with those received by the United Kingdom workers, he would have to receive such social benefits. You suggest, rather than do that, because you could not give one class of labour these social benefits without giving them to them all,

we should build a wall around the Canadian economy and prevent the British workers competing in that market?

MR. FOSTER: No, I do not say we should build a wall.

THE CHAIRMAN: Pardon my slang, perhaps I should not have said it; but the effect of your proposition is to prevent the British ship builder or the British crew man competing in the Canadian coasting trade, is it not?

MR. FOSTER: That is it, more or less.

THE CHAIRMAN: We do not want to call it anything as impolite as a wall; let us say it fully: By protection of the ship building industry and ship building workmen you would prevent the competition of the British workmen who are subsidized in these various ways. That is your proposition?

MR. FOSTER: Yes. We feel we should be dealt with the same as other industries. An Act was put through Parliament whereby goods which are subsidized by other countries have to pay a tariff.

THE CHAIRMAN: That is a quite open subsidy that you can put your finger on. It is much more difficult to find the extent of subsidization of a social program, such as they have in England, and compare it with the program we have in this country. Your proposition is simply restriction; isn't that so?

MR. FOSTER: More or less.

THE CHAIRMAN: I understand your position.

MR. GERIN-LAJOIE: Mr. Foster, I would like to refer to a few statements in your brief. Looking first at the first paragraph, where I read:

"Lack of Ship Building Contracts has caused "our ship building facilities ...."

I imagine you mean in Saint John -

"... to deteriorate to a certain extent ..."

Could you explain to what extent and how the ship building facilities have deteriorated in Saint John in the past few years?

MR. FOSTER: Well, with the lack of ship building contracts, there is modern machinery coming out at the present time and if you do not have the contracts to cover the cost of buying those machines naturally the shipyard is going to deteriorate to a certain extent.

MR. GERIN-LAJOIE: Mr. Foster, do you mean it will deteriorate or that it has, as stated in your brief?

MR. FOSTER: It has to a certain extent.

MR. GERIN-LAJOIE: I am wondering if you could say how and to what extent?

MR. FOSTER: To a certain extent the machinery, we feel, if we had these ship building contracts we would go through with the company on labour-management meetings, which we are not. If we had certain types of machinery we could do the job much faster, and, therefore, compete with these other yards. They have been very fortunate in being able to secure shipyard contracts from the government to build up,

to a certain extent.

MR. GERIN-LAJOIE: Do you mean the machinery and so forth has become better, it has not deteriorated as you mentioned? Is this what you are saying now?

MR. FOSTER: We could replace our machinery, we could keep building if we were at full production at all times and our yard could at the same time compete with these other yards and buy this modern machinery with the possibility of increased production.

MR. GERIN-LAJOIE: Have not you had at the yards increased production for the past three or four years and isn't it true the facilities have been ameliorated?

MR. FOSTER: To a certain extent, but not in regards to ship building contracts. Most of this work we have done has been re-conversion jobs, just a small job here, a small job there, which do not necessitate buying these more modern machines. This work which has been done has been, more or less, the fitting of small articles on some of these boats, just taking something off and replacing it. There have been no real large jobs where we could keep turning out and turning out and going right ahead on a mass production basis. If we had a contract for two ships we could naturally double our --

MR. GERIN-LAJOIE: What do you mean "mass production"? In 1943, at the peak of production, your work in the yards here was sufficient to employ 1522 men and last year there were 1293 men employed, which is not far behind 1943.

MR. FOSTER: That was due to the fact that we had a lot of Naval contracts.

MR. GERIN-LAJOIE: I quite agree with you on that. It was just that you mentioned the facilities had deteriorated and I wanted to find out whether that was really what you meant or whether you feared they will deteriorate. I want you to make this point clear.

MR. FOSTER: They have and they will more so as time goes on, due to the fact that the machinery we have on the Dock was for building ships, but at the present time we are just re-converting boats, which does not take the amount of machinery it does to build boats.

MR. GERIN-LAJOIE: Now, on page 2 of the brief as printed in the volume published by the Commission, you mentioned if the protection was granted to the ship building industry as you suggested, it would result in the shipyards being ready at small cost, and in some cases at no cost at all to our government in the event of another war breaking out. Do you realise that any cost to the government means cost to the people of Canada in higher prices for manufactured goods, or is that contrary to your view?

MR. FOSTER: If we had facilities there, if there was another war broke out, they would have to build newer and likely more modern boats, and if we were geared up and our ship building end kept building up then when this happened we would be in a position to turn out boats immediately.

MR. GERIN-LAJOIE: Mr. Foster, I quite understand this, but I would like to have your view on the question I am putting to you. You say there would be no cost to the government but do you realize that there might be a cost to the people of Canada, to the consumers of Canada if such protection as you ask for were granted by the government?

MR. FOSTER: No, I do not think so.

MR. GERIN-LAJOIE: If the cost of ship building rises, then the cost of transportation by sea - I mean, the coastal trade and in the St. Lawrence River would go up.

MR. FOSTER: Well, possibly to a small extent but the average taxpayer would not likely notice the small cost. I mean, if everybody --

MR. GERIN-LAJOIE: Is this a feeling of yours or have you any figures on that point?

MR. FOSTER: I have no figures to substantiate that.

THE CHAIRMAN: That is not quite the situation either, is it, Mr. Foster? If costs of transportation increase they only affect the producer who supplies the purchaser who is far from his market. The maritime provinces are the best example of that and of the four Atlantic provinces, the province of Newfoundland is the prime example of the four. If that man is only in a position to compete and remain in business by virtue of low cost transportation even what you might think was a slight increase in the cost of transportation would simply run him out of the

market, which is the position many producers, particularly in Newfoundland, find themselves in and is the position they urged before this Commission when we were sitting in Newfoundland. It is not simply a question of increased cost of transportation spreading itself evenly and increasing the cost of the product, and therefore, increasing the cost to the purchasers who use the products, but an increase in the cost oftransportation would rule out a product going to market at all. The task of this Commission will be, to a very considerable extent, balancing the economic interests of the various parts of Canada. Do you follow me?

MR. FOSTER: I follow you to a certain extent. I might just touch on a product which comes into this end of the country from the United States and which is considered to be international trade, gasoline. It is hauled here and I do not believe you can buy gasoline cheaper in Ontario than you can here.

THE CHAIRMAN: Oh, yes, you can. You can buy it considerably cheaper. I have been buying gasoline at 50 cents a gallon time after time down here. I motored here and I know. That is one of the things that puzzles me. The oil is brought into New Brunswick by boat and refined here in Saint John. Of course, nearly every gasoline sale is largely a matter of provincial and dominion tax so it is pretty hard to compare prices for that reason. You can buy first grade gasoline in Toronto for either 44-2/3 cents or 46 cents, and here I think it is nearly 50 cents a

gallon.

MR. GERIN-LAJOIE: Mr. Foster, in your brief you referred to the small islands off the coast of New Brunswick which have, as you say in your brief, very little service from ships calling at them. You say:

"We feel that the Government of our country "could help alleviate this situation by "helping to establish some kind of service "to these islands, ..."

Can you, first of all, mention the islands you have in mind?

MR. FOSTER: Well, there is Deer Island, Campobello, and I notice Grand Manan Island - they have a service there now but I do not know whether they are well satisfied with it or not. We feel that with the opening up of service to these islands there is a possibility that these people may get their products to the market.

MR. GERIN-LAJOIE: But do I understand you are not familiar with the type of service which they have now and the type of service you would like them to have?

MR. FOSTER: Well, Grand Manan, I know they have a boat there which runs about two or three days a week on the average over a year. I do not believe the other islands have very much shipping service at all, except maybe for a small car ferry. However, I think most of theirs is done by very small trading vessels.

MR. GERIN-LAJOIE: But you do not have any specific information on these matters?

MR. FOSTER: No.

MR. GERIN-LAJOIE: Now, you have heard Mr. Vincent or Mr. McGrath give some information to the Commission regarding the wages in this province as compared to the wages in the Province of Quebec. Is it your view that the workers in the Maritime and ship building industries in New Brunswick might be pricing themselves out of the marketnow?

MR. FOSTER: Well, possibly at the present time but we were all practically level during the war.

MR. GERIN-LAJOIE: You say "all", to whom do you refer, workers in the other provinces?

MR. FOSTER: Well, in Quebec they were faced with the possibility of their work dropping right after the war, their industry getting in a rut and management had the top hand and were able to hold their wages down; but at the present time they are coming up and coming up and maybe in two years you won't be able to look at that differential at all, it will be levelled off. There is also the confined space money they get extra. Last summer when we were negotiating a contract Canadian Vickers were paying $1.63, which is one cent per hour more than our rate.

MR. GERIN-LAJOIE: For what type of workers?

MR. FOSTER: For highly skilled trades, machinists.

MR. GERIN-LAJOIE: Is this official information? Where did you get that figure from, could

you tell the Commission?

MR. FOSTER: I got it right from their contract. It was public information in the press at the time. I believe at the present time, I am not sure, but I had one of their contracts at home.

MR. GERIN-LAJOIE: When was this, this summer or some time ago?

MR. FOSTER: 1954, I think.

MR. GERIN-LAJOIE: Would you be in a position to give a reason why the shipyards - let us say, on the St. Lawrence River, Montreal, Quebec, Lauzon - would have work today, ship building and ship repairing while Saint John would not have any merchant shipping, ship building or ship repairing?

MR. FOSTER: Well, no, sir, I couldn't touch on the factors. I do not seem to know of them. I notice in some of the tender prices passed out that a lot of these jobs went to the government and we were not able to get any jobs in the Department of Transport. The fact Quebec prices were always lower.

COMMISSIONER WICKWIRE: Mr. Wilson gave us an explanation for that also, he said you were just next to the low one.

MR. FOSTER: He did not touch on the fact there was a possibility to my mind that some of these prices --

COMMISSIONER WICKWIRE: There was no question of a "possibility" about it, it was a question of wages.

MR. FOSTER: That is what he claimed. We have

no proof.

COMMISSIONER WICKWIRE: Do you disagree with that?

MR. FOSTER: I disagree it is solely because of the cost of wages. It may be just possible that we had other work at that time. We have noticed that the subsidiary in Quebec of Canadian Vickers or the Davie Company one day would tender on one job, the parent company, and there were cases where their prices were away higher than ours. Also, I think you could find out in a very short time that there is a boat they have constructed up there which they have found will not go into Newfoundland and there is a possibility there may be something brought out about the price of that. The actual contract price that was let may not be the price actually given for it. There is the case here of the Bar Harbour ferry to Yarmouth, the contract was called for that boat but evidently they never stuck to the contract because the company showed them it was not feasible.

COMMISSIONER WICKWIRE: There is a possibility, we hope, that the engine is going to work some day in the new ferry?

MR. FOSTER: I did not hear what you said.

COMMISSIONER WICKWIRE: I said there is a possibility, we hope, that the engine is going to work some day in the new ferry.

MR. FOSTER: A possibility.

MR. GERIN-LAJOIE: You have no definite or specific information regarding the service you refer

to for Newfoundland, or any other instance of ship building companies not sticking to their contract prices?

MR. FOSTER: In saying specific --

MR. GERIN-LAJOIE: You mentioned --

MR. FOSTER: I mentioned the Bar Harbour ferry. The contract was let for it and a Quebec yard was successful in getting it, but they were able to point out to Ottawa that that ship would not work. A new tender was not called for and they were awarded the contract without tender on a different type of ship, seeing that the original ship was no longer good and it was being thrown out. Without giving the rest of the country an opportunity to bid on it they allowed the Davie Company to build it. It may be that these companies see something while a plan is in effect and should be getting the government to --

MR. GERIN-LAJOIE: You mentioned this as a possibility.

Thank you very much, Mr. Chairman.

COMMISSIONER BELANGER: I would like to clear up a point here: I think it was Mr. McGrath who mentioned that the Drydock here was different to the one in Lauzon. Did he mention that? I think he was talking about the difference in wages between Saint John and Lauzon and one of his explanations was that the shipyard here was larger, or the drydock here was larger, or something like that, and they did a different type of work. Is my understanding correct?

MR. McGRATH: Pretty nearly, sir. I mentioned

the Drydock here was much larger and would hold much larger ships than the drydock in Lauzon.

COMMISSIONER BELANGER: Have you any idea of the length of the drydock in Lauzon?

MR. McGRATH: No, not actual figures.

COMMISSIONER BELANGER: I may be wrong --

MR. McGRATH: I could not state the figures. I have seen the yard, I have been in there before in ships, and all I have seen in there are small corvettes and mine sweepers.

COMMISSIONER BELANGER: I have been there myself and yesterday when I was looking at the Saint John Drydock I thought then one might be a little larger, but I do not think there is much difference. I would say the one in the Lauzon would be maybe 800 or 1,000 feet and the one here would be around 1200 feet.

THE CHAIRMAN: 1150 feet.

COMMISSIONER BELANGER: 1150 feet, and I would gather Lauzon would be pretty near a thousand.

THE CHAIRMAN: Mr. Wilson would know.

MR. WILSON: Mr. Chairman, our drydock is 1150 feet and the one at Lauzon is 1050 feet, or thereabouts; but to all intents and purposes the Lauzon dock will accommodate the same ships we can, there isn't that much difference in the length. It can accommodate any ship afloat.

THE CHAIRMAN: At any rate, you pay the same wages to a man doing welding work on the Queen Elizabeth as to a man doing welding work on a tug,

Mr. Wilson?

MR. WILSON: Yes. We cannot claim to have a larger ship building or ship repair plant than the Davie Ship Building Company. Theirs is larger than ours. They have done more work and more important work than we have.

THE CHAIRMAN: Thank you very much, Mr. Foster.

At this time we might have a ten minute recess.

--- Recess from 11.20 to 11.40 o'clock A.M.

SUBMISSION OF NATIONAL COUNCIL OF SHIPYARD UNIONS (C.C.L.)

THE CHAIRMAN: Yes, Mr. Bell?

MR. MUNDELL: This, Mr. Chairman, is a submission presented by the National Council of Shipyard Unions. It will be presented by Mr. Bell. It is brief 107 in the bound briefs.

MR. J. K. BELL: Mr. Chairman and Members of the Commission, I am here on behalf of the National Council of Shipyard Unions (C.C.L.). This organization is a general council organization which includes within its membership the Shipyards General Federation of British Columbia, the Maritime Marine Workers Federation, and also directly chartered local unions of the Canadian Congress of Labour located in the Province of Ontario. The local unions of the Province of Quebec are organized within the Canadian Catholic Federation of Labour and while they are not members of this council we occasionally do meet with them through the medium of this council and they concur on the drawing

up of legislative proposals to the government and discuss matters of mutual interest.

The brief our Council is presenting before this Commission is one that is perhaps quite general because we feel the prime matter before the Commission is to establish certain fundamental principles as to what responsibility government or the people have towards maintaining certain industries which have an influence and are a major factor on the lives of the Canadian people generally in our economy. We submit transportation, of which shipping and ship building is naturally a very important part, is certainly the most important industry in Canada today. The question of integrating all forms of transportation we contend is a necessity, a must, on the part of our federal government. It is our contention that Confederation itself came about because of the need for transportation facilities in order to make the various units and colonies in Canada at that time a part of a nation, a nation that could stand on its own feet and go ahead, as history has shown Canada has. Therefore, we contend Canada has a history in which the government has taken an exceptional part in the provision of transportation facilities, internally perhaps, but to a greater extent than any other country in the world. Government assistance and support to provide the means of transportation between the far reaches of our country was something which was new and far reaching in comparison with what other countries were doing in other parts of the world at the time of Confederation. We feel what

has happened with the development of our country, the question of developing transportation internally but not carrying the facilities of transportation out to include our export-import facilities, by stopping short at our sea coast has been one of the hindrances that Canada has faced in the past several decades.

We contend that the main problem facing the Commission and the government is actually the need for legislation for an integrated transportation policy tying in the rail, motor truck and coastal and deep sea facilities of our country, recognizing the value and worth of each section of the transportation industry to our general economy.

Now, on the question of transportation: We know, naturally, that transportation costs reflect themselves in the living standards of the people and in the price structure of the country; but, nevertheless, we say that over a period of years certain things have taken place which have regulated the cost of transportation so that the public does not fully enjoy the advantages which would exist if those facilities were as competitive as we are led to believe.

For example, our union, while we may not have complete and factual information, is aware of the conference that takes place on an international level with regard to eastbound-westbound-North Atlantic Conference which regulates the Atlantic freight rates and conferences in Canada in which coastal rates are regulated. We have heard during the course of the Commission hearings that in a lot of cases the rail

rates have been the determining factor and have been the cause of coastal shipping rates coming down and meeting the rail rate. The rail rate in most parts of the Maritime provinces is the determining factor.

In that regard, we say if that is the case, if the rail rates are largely the determining factor in determining the coastal trade in the Maritime provinces, then we cannot see how the continued relaxation of restrictions against United Kingdom and foreign ships will in any way reflect itself in any further lowering of costs or that that can be held as a potential against increased costs. We feel that the end result, by permitting United Kingdom ships to come here and trade coastwise, would be, rather than a conference being demanded, as we think it is, by the railways and the rates in the Maritimes being set in line with rail rates, the thing would merely pass over and the rail rates would no doubt be the yardstick, but the operators who would be meeting with the railroads, instead of being individual coastal vessel companies, would be predominantly of British interest.

On this question of freight rates, we see situations where certain commodities come into the Maritime provinces from abroad and the cost to the people in the Maritimes is actually greater than the cost to people in other parts of Canada where additional freight rates have to be added to the cost. Specifically, gasoline. We receive no advantage from the fact that we have a refinery in Dartmouth, Nova Scotia, and other oil companies bring in their

gasoline by vessel to the Maritime ports and then retail it here in the Maritime provinces.

The gasoline and oil companies are among those who, of late, have been transferring the registry of their ships to foreign flags and we contend, since they have transferred their registry to foreign flags, the consuming public has not enjoyed any price reduction, nor have we noticed the price was maintained against any need for increased price had they not transferred their vessels.

On this question of price to the public, in one particular instance we know of a particular gas or oil company which secured a number of Park vessels at a fraction of their cost and value from the government, they also obtained several corvettes which were purchased from War Surplus, and recently several of these boats have been put, as I say, under foreign registry.

In other instances a new practice has developed, these ships are going up the St. Lawrence and because there is an organization of seamen in existence in the St. Lawrence, the wages paid to crew members while sailing on the lakes and along the St. Lawrence are comparable to those received by other Canadian seamen working for other Canadian like shipping companies, yet when that same ship returns to the Maritimes, the wage rates are dropped as much as $100 a month. We contend and argue against having a lower cost crew. In this particular instance it certainly does not bear out because we can see a differential of $100. In

this particular case the pay of the crew of that particular vessel, while operating in Maritime waters, is comparable to United Kingdom rates, and in a few instances, is lower in several classifications.

As I mentioned in the Halifax hearings, we have no particular axe to grind with any particular company because we find ourselves in the situation that most of the companies which we consider could well afford to keep their ships under Canadian flag are the ones who, in most instances, are hiding behind the excuse that they are afraid they mustkeep themselves in a competitive position with United Kingdom ships and are placing their ships under foreign flag.

The particular vessel to which I have referred is the Irvingwood, which is operated by a shipping company affiliated and associated, as I understand, with the Irving Oil Company.

Mention has been made of other natural resources in the Maritime provinces and farm products. We contend that most of the companies who are engaged in the transportation of natural resources in the Maritime provinces, and unfortunately we have not too many - we have, for example, pulp, iron ore in Wabana, we have the base metals on the north shore of New Brunswick and we have gypsum and we have coal. In the case of pulp, as we understand, the Mersey Company have placed their shipping replacement orders in the United Kingdom. The paper people bring their vessels over from the United Kingdom and we

contend that is definitely an industry which could afford to maintain their ships under Canadian registry and pay Canadian crews; they are certainly not marginal. The understanding of people who have any knowledge of financial transactions in industry know that the pulp and paper industry is, indeed, one of our better industries, more profitable industries, and they certainly cannot complain of being in a marginal position at this particular time.

Now, the case of gypsum: We transport, I think, roughly about four million tons of gypsum out of the Maritimes - I think the Maritimes export about 85 percent of the gypsum quarried in Canada. Practically all of that goes to the United States in raw form. Up until recently, for example, in Nova Scotia there was not even a royalty paid on it, for some reason or another the provincial government did not recognize gypsum as a mineral and the American companies that control the two main deposits in Nova Scotia were able to take it out without paying a royalty on it. We contend the price they are receiving for taking out our raw gypsum and merely having the cost of quarrying it, transporting it to the United States and bringing it back and selling it to Canadians does not make them a marginal industry.

On the question of the other base metals: Lead,which is being found in New Brunswick; we understand there is a large magnesium deposit up near the border which has yet to be developed; and the other ores which are found on the north side of the province.

It is our contention that the demand for the metals that are being mined in that section of the Province of Nova Scotia by no stretch of the imagination could be considered as marginal industries, even taking into account the transportation costs which would ensue if the ores were carried in Canadian bottoms built by Canadian ship builders and manned by Canadian crews.

There is, naturally, a problem in relation to coal, but even there we have some doubt as to whether or not the problems with which the coal people find themselves faced are really of the magnitude they present to the government and to the public. We know, for example, the workings in Cape Breton are old workings, they have long hauls to the mine heads, and some of these mines have been pretty well worked out; but at the same time we are also aware that there are many other untapped coal beds, known coal beds in Pictou County and Cape Breton county which we contend could be opened up and mechanized, as has been done in other mines in the United States. The situation could be improved considerably, especially in view of the fact that the government now subsidizes the Canadian coal industry indirectly, through subventions, to the amount of $20,000,000.

We feel Dosco's excuse for not confining themselves to Canadian ships because of a saving of approximately $2,000,000 a year through the chartering of approximately ten United Kingdom boats certainly cannot be justified as the reason we should not restrict our coastal shipping to Canadian ships.

I was very much interested to hear Mr. McLanders say, when he was asked by representatives of this Commission as to how he found the operational costs of the ships which Dosco themselves operate asagainst the British ships, reply, "Quite favourably", which indicates that Dosco, which also includes the shipyards at Halifax in its organization, could build and operate ships at an operational cost which would not suggest a differential with the British ships they are now employing.

We contend that the only freight rates that could possibly be affected, that primary producers or exporters of natural resources could show, would not be on shipping rates that are regular but on a charter basis either for a voyage or for a season.

It is quite possible, for example, that with the improving relations between the United Kingdom and Asiatic countries, that the United Kingdom ship operators might find it more profitable in the next few years to direct their tramp shipping to the coastal trade of the Asiatic countries. In that event the Canadian shipper who depended on United Kingdom ships would find himself in the position that if the ships were available the rates would be lower but at a particular time that he wanted a certain type of ship and that type of ship was engaged in other trade, the rate might change. The only way it could affect the people seriously would be on routes which are engaged in regularly by United Kingdom vessels, and in the Maritime provinces, outside of the vessels which Dosco

charters, we have no evidence of that whatsoever, where United Kingdom vessels operate a regular route continuously.

COMMISSIONER WICKWIRE: You refer to Furness Withy, I take it?

MR. BELL: Yes, Furness Withy have several ships which operate in a coastal capacity and they are employing several British registered vessels.

THE CHAIRMAN: They are the exception?

MR. BELL: Yes. Pardon me, I must make that correction.

THE CHAIRMAN: What about Newfoundland Great Lakes?

MR. BELL: Yes. I mentioned Maritimes coasting-wise, that is, the Atlantic coast.

We do acknowledge the fact that with the opening of the St. Lawrence new shipping - regular shipping - routes may open up.

THE CHAIRMAN: Now, now; the Newfoundland Great Lakes, Constantine's and Furness Withy all carry on regularly scheduled coastal shipping with United Kingdom bottoms.

MR. BELL: Yes, that is right.

COMMISSIONER WICKWIRE: And you would except those in your submission, I take it, you would make an exception?

MR. BELL: No, we say --

COMMISSIONER WICKWIRE: They could be excluded too?

MR. BELL: Yes, we say these companies should

be excluded as well because we contend, going back to my previous argument, that their rates are influenced by the rail rates and, therefore, whether or not they are giving the savings to the Canadian people is something that is not known to us. We would be very happy to be shown in black and white where the operation of these British ships provide services to shippers at a reduced rate. For example, the C.N.S. in its expanding coastal shipping could not provide -- Where the C.N.S. operates the rates would reduce.

COMMISSIONER BELANGER: Do you say their rates are not lower than Clarke Steamship?

MR. BELL: Yes. Our contention is that the rail rate predominates. Whether or not these steamship companies in the operation of their vessels enjoy as big a profit as what they think they should, we do not know; but, nevertheless, they have found it necessary to level off with the rail rates that the railways set down and they become the determining factor in most of the water haulage.

THE CHAIRMAN: It is a question of which is the tail and which is the dog, surely. You have heard of the example referred to today, of the Prince Edward Island potatoes and you know of the situation which existed between the Great Lakes and Newfoundland, where the rail rate was cut to meet the water rates.

I think your generalization is far too broad when you say they are fixed on rail rates; they come under the rail rate and then the rail rate comes down to meet them. If they had not been there to come

under the rail rate there would not have been any coming down of the rail rate and, therefore, your cost of transportation would have been held up which is just the same as being increased.

I do not follow your statement that these people must be excluded because they have only followed rail rates; in fact time after time they have driven the rates down and the railway has had to institute Agreed Charges or seasonal commodity rates to come down to meet them. We have heard not one example, but a good half dozen of that in the trade of the various Atlantic provinces.

MR. BELL: We certainly do not dispute that reasoning either, Mr. Chairman; but the point is this, it is quite possible, too, that the rail rates in the first instance were perhaps too high and the reduction which has taken place by the threat of the water rates being set under the rail rates and the rail rates dropping down to meet them, might be just the type of competition that is necessary to the shippers of the Maritimes in order to obtain markets in Central Canada, and it is quite possible both rail and water transportation companies are still making profits.

THE CHAIRMAN: That is what they say. They say we must have this potential of competition in order to be able to get from the railroad rates which will enable us to compete and get our products into the central Canadian market. They point to examples of that potential competition working naturally after a threat, and sometimes a very serious threat, of water competition from United Kingdom bottoms.

MR. BELL: Well, we feel that, perhaps I would put it this way, in view of our experience with what has taken place on freight rates across the Atlantic and the freight rates that have existed here in the Maritime Provinces in the past, we cannot see where even the threat of British shipping being allowed to come into coastal waters will in any way give the consuming public the advantages that it is claimed they would receive by the mere threat of having U.K. ships operate and cut freight rate charges.

THE CHAIRMAN: Well, take the all rail rate into Newfoundland, what happened there? There was a commodity rate, seasonal in character, established which disappeared just as quickly as the water competition disappeared by the freezing up of the St. Lawrence and which has very materially reduced the cost of transportation into Newfoundland.

MR. BELL: But you cannot credit that to the United Kingdom ships only, the Canadian bottoms have also been a factor in dropping these rates.

THE CHAIRMAN: The Canadian bottoms in Conference rates hel up to the rail rates and it was the competition of the straight water competition, the Newfoundland Great Lakes, which caused the drop, and only last year did the Newfoundland Great Lakes come up, so its rate was just under the other. Certainly they are taking all they could get.

MR. BELL: My lord, what about the case of

gasoline?

THE CHAIRMAN: Well, I do not know how much gasoline is affected by Provincial taxation, gasoline prices must be broken down into Federal and Provincial taxes as well as the return to the company and it may be that we will have to find out that Provincial taxation in this Province is heavier than in Central Canada, I could expect that it would be because their road programme is later in its development and probably they need larger revenues for the construction of the roads.

MR. BELL: At the same time, the factor that the rail rates are not applicable after they are landed in Maritime ports, most of the gasoline in the Maritimes is now distributed by water to Maritime centres, I would say a substantial ---

THE CHAIRMAN: Tanker carriage of refined products?

MR. BELL: Yes.

THE CHAIRMAN: Well, I do not think the railroads have much of the business in the major portion of Central Canada anyway, it comes in by pipe line right to the refineries and I think the largest percentage is truck distributed then.

MR. BELL: Our general position on this whole question of the transportation of goods and natural resources is that generally speaking and, again this a generalization, that these companies who are engaged in the transportation of our natural resources by and large are not marginal industries

and we say there is no justification ---

THE CHAIRMAN: You are speaking of gasoline, are you including that?

MR. BELL: Yes, the marketing of gasoline.

THE CHAIRMAN: What natural resource is that of Canada, that particular gasoline is a natural resource of Venezuela.

MR. BELL: That is quite true, perhaps I should clarify it. Our position is, in the first instance, those companies who transport natural resources, it is general in most cases, these companies like gypsum, pulp and paper, maintain shipping companies which are carriers to themselves, to their own industries, and we contend they are by and large not marginal.

THE CHAIRMAN: Where do they carry the goods from?

MR. BELL: You take, for instance, the pulp products, they come along the shores of the Mersey, they come up as far as Cape Breton, and they ---

THE CHAIRMAN: They pick up in Canada?

MR. BELL: That is right.

THE CHAIRMAN: And they take that away?

MR. BELL: Well, the paper is taken abroad, it is quite true, but in the distribution of the finished product, in that particular instance it is an international trade.

THE CHAIRMAN: You realize we have nothing to do with that.

COMMISSIONER BELANGER: The wood itself.

MR. BELL: That is coastal, they pick the wood up along the coast of Nova Scotia and New Brunswick and bring it back to the mill and the same with Bowater's, their ships ply along the coast of Newfoundland, pick up their pulp and wood and take it to the mill.

THE CHAIRMAN: What ships do that?

MR. BELL: The ships operated by Bowater's.

THE CHAIRMAN: Are they Canadian or U.K. registry?

MR. BELL: U.K. registry.

THE CHAIRMAN: Is that so? I think you will find it is Canadian registry, there is a gentleman in the room who controls the company.

MR. BELL: Well, we were looking at one of their volumes, they put out a trade volume in Newfoundland of their organization and during the commentary on the volume it pointed out very specifically that they had engaged the ships of the Commonwealth, U.K. British ships to haul their wood product to the mill and also their finished product overseas.

COMMISSIONER WICKWIRE: You had better have a talk with Mr. Simard.

THE CHAIRMAN: I think it is all set out in the Bowater brief, they use British registry ships to take their products to the British market and to some extent to Canadian ports and United States ports but their gathering of the wood is done by Canadian bottoms.

MR. BELL: We contend that the situation is not as serious as it is made out to be on the question of a large volume of shipping of pulpwood being marginal, having prospects of being eliminated by the restriction of United Kingdom vessels on the question of wages ---

THE CHAIRMAN: Why isn't it? Surely every industry must compete in the world market, including the pulp business. If they cannot deliver at world competitive prices they do not get the business. You say they can by simply squeezing their profits, is that your position?

MR. BELL: Possibly, and in some cases they can even increase the price of their commodity. Take, for example, Pyrites, there is not too much in the world. When these companies need Pyrites, for instance, in Central Canada, in Western Canada and the oil fields out there, the only people in Canada that I know of who mine Pyrites is off the Bay of Fundy in Nova Scotia. I can see where the transportation of that to the Head of the Lakes and to the oil fields of Western Canada could save that industry if it were carried by Canadian bottoms.

THE CHAIRMAN: I do not know anything about it, I do not think it has a very large impact on coasting trade.

MR. BELL: It is just another example where the few natural resources that we have that are being transported, we contend are not in the

classification of being marginal as a result of the differential in costs that they claim to exist between U.K. ships and Canadian shipping. On the question of wages, we naturally feel quite keenly about this point, because our workers are the ones who receive these wages and for quite some time we have been the butt of generalization that we have been responsible for the downfall of the shipbuilding industry and the shipping industry and we certainly feel very keenly about that. We contend that that generalization is most unfair. On the question of wages we contend that, for instance, within the country itself a large percentage of the ships that the Government itself has built has been handed to the yards on the basis of allocation because of considerations and factors other than the tender prices, and in some instances we have seen examples where, while it was pretty well common knowledge, that a particular section of the country would get a ship and the tender price that was submitted to the Government was lower than any part of the country because of the practice that is almost general, because of many major changes and alterations to the ship during construction the final cost that came out could in no way be compared as to whether or not that ship was built in that particular yard or in another yard. The Prince Edward Island ferry, one of the Quebec yards got that for $4 million. When it was finally built it cost the Canadian Government $7,400,000.

There is some talk around Montreal that the Carson is going to cost somewhere around $20 million. There are probably explanations for it and one of them could be if we had a stable shipbuilding industry, some type of security in a healthy shipbuilding industry we would have the supplementary agencies and services that are necessary to construction. For instance, naval architecture, engineering and what-have-you, and it is quite possible that these are badly in need of improvement in Canada, not only the wage factor itself. For instance, if a Government naval architect or private architect designs a vessel inaccurately and as a result a tender is put on that particular vessel to be built which is quite low and then the company who receives that contract has to turn around and inform the Government that the entire ship has to be re-designed.

COMMISSIONER WICKWIRE: Have you evidence of that?

MR. BELL: Yes, we have some evidence of that, the Blue Nose is the latest.

COMMISSIONER WICKWIRE: That is the one you were referring to?

MR. BELL: The one previous to that, as I say, was the Prince Edward Island ferry.

COMMISSIONER WICKWIRE: That was all the responsibility of some architect, was it, some naval architect?

MR. BELL: Well, we say that all those things come about because of the fact that our stability --

we have not the stability we need, we are not an industry where those crafts and skills are continually employed so we cannot get the maximum efficiency out of them. For instance, the shipyards are not getting maximum efficiency and skill out of the workmen who are employed for two or three years and are laid off and go to other industries or are unemployed for two or three years.

COMMISSIONER WICKWIRE: Have you any evidence of any key men being laid off by any shipyard? I am talking about key men.

MR. BELL: I can give you an example, the Halifax shipyards since the war was down to, at one time down to under 700 men and it is our contention that a company that operates a peak of 2800 men, that in the reduction from 2800 to 700 that a large number of key men would lose their employment and would be lost to the industry. You take, for instance, if you have three pattern makers, you lay two of them off and retain one. Well, it is pretty difficult to go out on the labour market and pick up an experienced pattern maker when you want one.

COMMISSIONER WICKWIRE: I appreciate that and I would like to have had some evidence on that. So far we have had none.

MR. BELL: I certainly, before the Commission concludes this session, will endeavour to supplement that with some specific instances where skilled classifications have been released from the industry and their release has certainly been to

the detriment of the industry.

COMMISSIONER WICKWIRE: Very well, and give us also the numbers retained in that classification.

MR. BELL: Yes. Again, another point on a question of wages, I think that the fact that the Canadian shipbuilding industry, without the government assistance that other major industries receive, without that assistance that the other shipbuilding countries receive, as a result of that the yards in Canada have had to largely depend on government work orders since the end of the war, either for the Naval Department or for other Government Departments which maintain Government craft.

THE CHAIRMAN: Show me the connection there with wages.

MR. BELL: Well, perhaps the point that I am trying to make is the costs, as to the wages that the men received, as to the costs of the vessels, as to the competitive costs abroad. Well, I will make this point, that even between the east and west coasts where the differentials are as high as 161 to 207½ in the same classification, that is the greatest differential that exists in a specific classification, and, generally speaking, the journeyman's wage rates are about 33¢ or 34¢ an hour more in many of the journeyman classifications and in shipbuilding the percentage of men who are journeymen is higher than most others. That is another factor that works out in some ways

to the detriment of the industry as compared to other industries, the number of skilled tradesmen in the shipbuilding industry is much higher than in others, perhaps only exceeded by the construction industry. We contend that where there have been examples where the west coast have tendered on vessels in competition with the east coast yards and submitted a lower tender, that in itself establishes the fact that wages cannot be the main point of differential as against the cost of a vessel.

THE CHAIRMAN: I suggest to you that that is very far from establishing the point. If a company say in Vancouver Island has a plant with overhead running every day they might very much cut their bid in order to have the business and the contribution towards the carrying of their overhead despite the fact that their wage rate was higher than their eastern competitors.

MR. BELL: Yes, we acknowledge that, we accept the fact that there are so many factors in the shipbuilding industry that have to be taken into account that it is certainly not fair to pinpoint one and say that that is the reason why a yard does not receive a contract because of wages, the availability of steel, the delivery date and numerous other factors can be equally important as wages. I think it turns on common sense, in any commodity, if some one says they can provide a trucking fleet with a truck two years

from now at half the cost they would have to pay for it to-day, I do not think many trucking companies would stand by and wait until they could pick that truck up two years from now at the reduced cost even if it meant there was a saving of 50%.

THE CHAIRMAN: To-day how does the delivery date affect it? There are shipbuilding industries right here and in Halifax that will take your order and build your ship about as rapidly as it is humanly possible, so how does the delivery date affect it?

MR. BELL: Well, again that becomes a problem because, for instance, on the Blue Nose certain parts are still being made in Great Britain which, if we had a sound shipbuilding machinery they would be produced in Canada and, as a result, we are dependent on the United States to supply us with ship machinery which we would not have to do if we had a sound shipbuilding industry, we should rely on here, and be assured of the services that would be necessary and a delivery date could be met. I think the present delay of the Blue Nose going into operation is a very practical illustration of that particular point.

Now, another point we would like to make is that wages cannot be the big factor in the cost of tonnage, this is taken from a report of the General Secretary of the Boilermakers and Iron and Steel Shipbuilders of Great Britain and while it is true this is the report that was made in

1949, notwithstanding, it applies equally to-day as when it was made then. This is by Mr. E.J. Hill, General Secretary of the Boilermakers and Iron and Steel Shipbuilders of the United Kingdom and in the course of his quarterly report he points out:

"The Shipbuilding Industry is more "stable than the Shiprepairing Industry at "present, but orders are on the decline. "The tonnage of both dry cargo ships and "tankers on order and under construction "on the 31st March, 1949, was 4,059,638 "gross tons compared with 4,222,555 gross "tons on 31st December, 1948. The decrease "in the total tonnage on the order books "is due to the fact that for some months "new orders have been coming forward at an "increasingly slower rate. The total tonnage "licenced during the first quarter of this "year was 145,443, compared with 195,320 "during the quarter ended 31st December, "1948, and 396,716 during the quarter ended "30th September, 1948. In general, firms "have reasonably full order books which "will keep them busy until the end of 1951, "though some of the smaller firms may "experience a shortage of work rather "earlier. It would appear that we are "now in a Buyer's market and with com- "petition from American, Japanese, and "German shipyards, it is impossible to

"foretell the future beyond that mentioned "above."

You will notice he names the American competition as being the first, American, Japanese and German, and when you take into consideration the differential in wages as between our yards and the U.K. yards, and when you compare the differential that exists between our yards and the American yards and the fringe benefits which they receive are in the vicinity of about 65¢ per hour more than Canadian rates, and then, on the other hand, when you compare the Japanese rates which are roughly about half of the United Kingdom rates, I think that we must certainly look beyond wage rates as the leading factor when it comes to the future of the shipbuilding industry.

THE CHAIRMAN: All you have done to prove the point is cite somebody else's speech in Great Britain, he mentioned the Americans, he did not say how the Americans compete and it is beyond my ability to imagine how an American ship built at American cost could compete in international trade. If American ships had been built and sold for international trade, not owned by Americans because then, of course, there are no problems such as you read, but do you know of any ships that are built in the United States and sold for international trade?

MR. BELL: No, we are not aware of any ships built in the United States for export but

we suggest that the ships that are being built, the ships that are being built in the United States, for instance, the tankers, are ships that are built for American oil companies who found it, up to a certain point, more profitable to build them in U.K. yards and as a result of certain changes that took place in the American situation it became less profitable for the companies to continue building them in the U.K. and they began to build them in the United States, in their own country, and we contend that some of the factors ---

THE CHAIRMAN: Did you say that there are tankers being built in the United States to be used by Americans in international trade?

MR. BELL: That is right.

THE CHAIRMAN: Well, of course, they have a tremendous subsidy, have they not?

MR. BELL: That is true.

THE CHAIRMAN: So Mr. Hill was referring to competition in construction in the United States, that Americans were buying ships in their country?

MR. BELL: I think I am making my point, that the wages are not the predominant factor. It may be necessary for Canada to operate along with the United States and these other countries, Japan, to assist shipbuilding.

THE CHAIRMAN: Now, you have turned to assistance by way of subsidy, is that part of your submission?

MR. BELL: Both. We say that the coastal

trade should be restricted to Canadian ships and we say that the general aid should be given to the shipbuilding industry as is found in other maritime nations of the world. For instance, in Japan ---

THE CHAIRMAN: Should be restricted to Canadian ships and that Canada should subsidize those ships for international trade?

MR. BELL: Yes, that is right.

COMMISSIONER WICKWIRE: Some people have advocated that by restriction alone it would cure all the ills.

MR. BELL: We would welcome restriction alone if that is as far as the Government would move at this particular time. It is a step forward but we say that the placing of Canada back in her rightful position as a maritime nation will only come about by applying both methods and most maritime nations do that, they restrict the coastal trade and give assistance to the shipbuilding industry so the ships can ply the international routes.

This is from the Nautical Magazine:

"Japan's '10th post-war programme' consists "of building 170,000 gross tons of ships. "Virtually the entire programme is State- "financed because few private owners can "meet the great increase in costs of "construction in Japanese yards. The "Mitsui Line has recently come out with "some of the fastest freighters ever to

"visit Continental ports. Plans to build "another three are in hand. These ships "maintain a speed of 19½ knots from Singapore "to Rotterdam, finishing the voyage in "four weeks, and including calls at inter- "mediate ports. No other freighters can "maintain such a speed. The Japanese "freighters have a top speed of about 22½ "knots, however. Time lost can thus be "made up with extra speed. British and "other shipowners are showing keen interest "in the fact that mechanical failures in "these fast Japanese ships are almost "unknown."

We contend that factors such as that improve productivity, improvements in the types of design and types of ships being built, ships that can compete can overcome perhaps differentials in operating cost by being faster vessels, are all part and parcel of this problem.

COMMISSIONER WICKWIRE: They have not any such problem when they build them in Japan and have Japanese crews because both of those wages are mere fractions.

MR. BELL: That is quite true, but in Japan we understand the shipyards buy their steel, not at the international steel price but at a subsidized steel price so, therefore, we say it is quite true we will still be faced with these obstacles and handicaps but they cannot be met

by just stating that wages be reduced or we can have no merchant marine because of the fact the wages are too high and we should not take a chance on anything in the international trade because our crews will cost us a large amount of money. There are other methods by which this problem could be overcome, by productivity, improving types of craft along with Government assistance.

THE CHAIRMAN: Well, I cannot ---

MR. BELL: Perhaps a greater degree of Government assistance.

THE CHAIRMAN: If you decide on the Government assistance or methods of productivity, are you of the opinion that Canadian naval architects are not capable, if some one would pay for it, just as good as any out of the Japanese yard, because I think the wartime experience showed they were as good.

MR. BELL: That is a point, where you have not the continuance of work you do not improve your organization and that lack of organization is no doubt one of the factors that is putting us in a bad situation. For instance, I only know of one major naval architectural firm in Canada, I do not know, there may be others, but other than the Government's own naval architects and Germaine and Milne are about the only ones of any standing in Canada and I contend there should be perhaps three or four competitive private architectural firms in Canada. That may be one of the factors.

Then, again on the question of wages, I just want to make this last general observation about wages. It has been found by industry generally that when wages are increased to meet the standard of living in any particular country, industry generally finds it necessary to provide the workmen with an improved type of machine or equipment that will justify that higher wage. I think that no greater illustration could be used than in the American coal mines, when the men were working with picks and shovels down there, the industry was in an awful mess. When the Union demanded higher wages and pushed the wages up to $20 a day the companies found they could not accommodate a lot of men at higher wages with picks and shovels, they had to get mechanical belts and conveyors and other things. The end result was they were able to bring coal out of the pithead at less than in any other part of the world, $5.50 a ton.

COMMISSIONER WICKWIRE: Do you approve of that?

MR. BELL: It is inevitable, we know that it means displacement of working people but that is one of the problems that we will have to face up to. At the same time, we would sooner see a situation where technological advances were utilized in order for us to progress and go forward rather than allow the men to carry on with very low wages and jeopardize a whole industry.

THE CHAIRMAN: You do not represent the

Stevedores' Union, do you, Mr. Bell?

MR. BELL: No, that is quite true.

THE CHAIRMAN: Their views would hardly seem to agree with yours.

MR. BELL: I believe they have a safety factor there.

THE CHAIRMAN: The safety factor being that three crews sit around while they watch the one crew work, is there much safety in that?

MR. BELL: No, but even if there is feather bedding, I do not think it is justifiable, but that is not unknown in our economy, so why pick on labour?

THE CHAIRMAN: I was referring to what we heard on the cost of transportation in Newfoundland and their difficulties with stevedores.

MR. BELL: Not very long ago the Canadian National Steamships placed two coastal ship replacement orders in the United Kingdom and we protested to Mr. Donald Gordon at the time and we pointed out we thought it was most unfair for this particular company to place any coastal shipping construction orders particularly in view of the general assistance that the people in the Government of Canada have made and are making towards his organization. One of the officials of the Halifax shipyards mentioned to us that in comparing the contract price of the U.K. yards in that particular instance, the amounts were not exceptionally large, but he pointed out to us that he thought

that had those ships been given to a Canadian yard with the next highest tender, the price that the Government itself would have recovered a substantial amount of the differential in taxation from the workers and other tax recovery means that the Government has in the construction of ships. We contend that any company that merely sees a differential of a few dollars between themselves and a United Kingdom shipping company, and particularly a company that is financed by Government funds, certainly should take this question of providing employment and adding to the general well-being of our economy and what-have-you as factors before they give such orders abroad.

Then, there is the question of marine insurance, we contend the Canadian Maritime Commission should provide marine insurance to Canadian coastal craft and we feel that would be a small saving to the Canadian coastal shipping operators. The United States Maritime Commission provides marine insurance to the deep sea fleet and we contend that at least a start should be made on that in Canada by the Canadian Maritime Commission opening up a marine insurance commission for the coastal trade.

Another point which perhaps does not fall into the terms of reference of this Commission but we would like to bring it out because we feel that all these questions of deep sea fishing and coastal shipping are so inter-related that it is

difficult to separate them. The shipbuilding industry, as was pointed out, the cost could be spread, if you have, for instance, the construction of a ship or vessel on the way, and the yard takes an order for a coastal vessel at the same time, it is quite possible that the costs could be lowered, particularly in the case of the coastal vessel, and thus assist the development of the coastal shipping. We feel that Canada should construct because of its prominence as a maritime nation, we think that Canada should construct several super-liners as other maritime nations have and we think that there are many good arguments or many good reasons can be shown that they could be self-supporting. We send quite a few of our products abroad, we bring in quite a few immigrants into this country, a lot of them arrive in ships of foreign registry; there are quite a few British families who visit back and forth now between Canada and the United Kingdom because of the increasing number of marriages that have taken place between Canadian citizens and nationalities of the United Kingdom and that traffic is increasing considerably. We contend that construction of several super-liners would not only add to Canadian prestige as a trader and shipping nation but would actually serve a worthwhile purpose.

COMMISSIONER WICKWIRE: Ten or twelve?

MR. BELL: No, say two on the North Atlantic to start with, perhaps later on one or two in the

Pacific down to Australia or New Zealand or Asiatic ports. We feel there is sufficient traffic for them at the moment. We contend the amount of the assistance that the Government gives through the refugee organizations moving immigrants in, that they could at least exert some influence in having the immigrants who are coming into Canada at a time when our employment prospects are very slow, at least they should be brought over here in Canadian vessels. As I mentioned before, we certainly feel that Canada must provide a degree of shipping and shipbuilding subsidy comparable to that which is found in other maritime nations and we feel that the activities of the other countries I mentioned ---

THE CHAIRMAN: Is this in international trade?

MR. BELL: Yes.

THE CHAIRMAN: Well then, read the terms of reference.

MR. BELL: As I pointed out, Mr. Chairman, we think that the industry ---

THE CHAIRMAN: I know what you think but I know the terms of reference and it is most interesting to hear it, but we have no power to deal with it.

MR. BELL: It affects the coastal shipping to the extent that if we do some of this work in the yards it would encourage the construction of coastal craft, it would place the yards in a better competitive position.

THE CHAIRMAN: All right, it is sufficient

to state that much.

MR. BELL: And, lastly, we would like to point out that the practice that has been carried out in the past where American ship owners would dump their obsolete coasters and lakers to the American Maritime Commission and in return receive a tonnage credit of $63.75 on old vessels toward a replacement tonnage. Our view is that none of these ships should be permitted into the country even if the persons who purchased them show they are prepared to pay the duty. The records we have on this, the ships that have come into the country, for instance, since 1940, we have a listing here, the Algoma Central and Hudson Bay Railway brought in a 3,785 ton vessel from the United States which was built in 1903 and it was brought into Canada in 1940. In Sault Ste. Marie they brought in a barge, 3,106 tons, built in 1907 and brought into Canada March 18, 1941. At Sault Ste. Marie they also brought in a barge 1,357 tons, it was brought into Canada in 1941 and ---

THE CHAIRMAN: Just a minute, this list is going on, in 1941 could you have had a barge built in time?

MR. BELL: We concede that point, but the previous list goes back to 1916 -- 1918, I only started from 1940, it has been a continuous condition since. For instance, there are six that were brought in in 1945.

MR. MUNDELL: Have there been any in the last

five years on your list?

MR. BELL: No, we have none in the last five years but we feel, nevertheless, a section of the legislation should be tightened up so they could not be allowed to be brought in despite the importer being willing to pay the duty on them.

THE CHAIRMAN: The provision requires a consent, does it not?

MR. BELL: Yes.

THE CHAIRMAN: It is simply a question of whether the Government should have any discretion?

MR. BELL: Yes, we feel that section of the legislation should be tightened up.

THE CHAIRMAN: That discretion has not been exercised in the last five years?

MR. BELL: That is right, but it is quite possible that the reason why none of them have come in in the last five years is because of the fact the American shipping is fairly new, they have done a fairly good job in dumping their old stuff and it is possible they have not too much of their old stuff left, but after a period of 10 or 15 years this whole programme could be repeated. That might very well be the reason why in the last five years we have had a lull inasmuch as no obsolete tonnage has been brought in, but it could very well come in, say, following a lull of five, ten or fifteen years. That in itself could seriously affect the position of Canada's shipping on the Seaway and on the Lakes in the future.

MR. BERK: Yes, we just then ... tion of the

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MR. ... JENK: That is right, but ... ve a

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MR. BERK: That is right, but ... ve a ...

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On behalf of the National Council of Shipyard Unions and the members whom we represent, we wish to thank the Commission for the opportunity of coming before it and presenting our views. We do admit our inadequacy in not providing factual information but in most every industry trade unions are the least expected to have the full and factual picture of what is taking place. We find ourselves being in the most difficult position in obtaining such information which is not generally provided us as to government agencies and other manufacturing groups. As I say, we recognize that quite a number of our statements have been generalities but we feel that they are of sufficient importance and seriousness that this Commission has the authority and power to investigate them further in order to supply itself with a more factual picture.

Thank you very much.

THE CHAIRMAN: You have some questions, Mr. Mundell?

MR. MUNDELL: I have some but I do not think I will be very long. Mr. Bell has covered the main point I was interested in getting at. You said, not having figures, you had to rely on generalities, and I wanted to find out if you have figures that you have not got in here to support your submission, I take it in a general sense you have not got them?

MR. BELL: In some instances, if the Commission would prepare any requests on some

specific thing before the Commission finalizes its hearing, we would certainly endeavour to supply them to the Commission and support our submission.

MR. MUNDELL: In that case I would only have a few general inquiries.

THE CHAIRMAN: We will proceed.

MR. MUNDELL: We have had the advantage of hearing Mr. Bell in Halifax before on the evidence of the local unions here and there, so it is really only things having to do with the Council that I wish to inquire into at the moment. In the first place, I am not quite clear, Mr. Bell, but you are counsel of the shipyard unions and strictly speaking I suppose you do not represent any operating unions of seamen?

MR. BELL: No, that is true, the National Council of Shipyard Unions, with the exception of a few seamen crews who are employed aboard Department of Transport vessels, we do not represent seamen in the coastal or deep sea fishing industry.

MR. MUNDELL: The reason I am asking is that your recommendations, it seems to me, may go beyond what might be required simply to meet the shipyard problem?

MR. BELL: Yes, that is quite true.

MR. MUNDELL: I wondered whether, for example, supposing the subsidy, the construction subsidy were provided by the Government, do you think that would meet the shipyard problem? I mean, you are asking for operating restrictions and so on, but do you think a shipyard construction subsidy would

meet that shipyard problem?

MR. BELL: Yes, but if it means the shipyards lowering their costs of the vessel to the shipping companies, it would naturally encourage greater interest of shipping companies to have their ships built in Canada and improve our shipping industry as well.

MR. MUNDELL: Supposing, for example, a subsidy was paid, well, take as an illustration of the principle where a ship operator was going to buy a ship and he got a bid from a Canadian shipyard or a price from Canadian shipyards and prices from foreign shipyards and he selected the lowest Canadian tender and the difference was made up between the Canadian tender and the lowest foreign price so he could buy it at the same price in Canada as abroad, do you think that would meet the shipyard's problem, would it solve the whole of the problem?

MR. BELL: Well, yes, I think that would go a long way towards solving the problem.

MR. MUNDELL: Well now, would your Council wish to go on with the other recommendations you have made simply as a shipyard Council, or would it be satisfied with the one aspect?

MR. BELL: No, we think that -- in our brief we stated we feel Canada should have an integrated transportation policy set down by the Federal Government.

MR. MUNDELL: Just stopping there; in other words, you are going beyond the immediate interests

of your own Union?

MR. BELL: Yes, that is right, we feel the whole thing, that in an integrated national transportation policy the whole problem of transportation, whether by rail, motor carrier, coastal shipping, deep sea, should be tied in to one programme.

MR. MUNDELL: On the problem of integration, you do not want integration for integration's sake. What do you mean by integration, I mean, you do not want to increase shipping just to have all kinds of transportation that we do not need, do you?

MR. BELL: That is true.

MR. MUNDELL: Where is the need for it?

MR. BELL: We say, for example, our exports are increasing noticeably in the past ten years.

MR. MUNDELL: Is the present system engineered for transportation purposes which ---

MR. BELL: We contend, for example, that while there is a lot of thought and consideration and assistance given to the movement of industrial goods within the country it stops there and we contend that as an exporting country which we must be and we must expect to be, that if we are going to have a transportation policy that only interests itself merely between the east and west coast, it is going to be inadequate.

MR. MUNDELL: Even if it would be more expensive to do it the other way?

MR. BELL: Yes.

MR. MUNDELL: Even if it might press

our grain or lumber out of the markets of the world, or other commodities?

MR. BELL: There are so many things on the question of grain where you see the United States are practically giving it away or making such a long term credit arrangement with countries in their own currency, something which our country has not got around to do yet. The question of added transportation costs is not going to be a hinging point as to whether or not we are going to continue selling our grain.

MR. MUNDELL: You mean, we are going to be out of business anyway, and we might as well go out of business in an expensive sort of way?

MR. BELL: These things are tackled from the point that is going to solve them, basically, I do not think they are going to be solved at all.

MR. MUNDELL: Leaving aside the point that we might be sold out of the market in the world competition market, taking grain as an example where it is a world price, where any increase in transportation goes back to the purchaser, it is not charged on to the purchaser, your union is advocating that we should have an ocean fleet and coasting fleet really at whatever the cost?

MR. BELL: That is right, the railways cost the people of Canada some years as much as $53 million.

MR. MUNDELL: But you want to add to the railway something we are getting along without in

a sense?

MR. BELL: We contend that the railway is going to be affected, the internal movement of goods within our goods is going to be affected, if we do not facilitate our trading facilities coastwise and internationally, they will eventually suffer.

THE CHAIRMAN: What do you mean, if we do not facilitate, is Canada suffering because there are not ships to carry away its goods? I thought we were considering too many ships available to carry away the goods, ships of United Kingdom registration.

MR. BELL: It is our contention, Mr. Chairman, that actually Canada could suffer in the trading of her goods if she does not own her own fleet, but it is quite possible that we could sell goods abroad and the mere fact that we do not own our own carriers could prevent us from enjoying a trade which we presently do not have.

THE CHAIRMAN: I have never seen any indication of that whatsoever, this is the first time anybody has suggested that Canada could have had its own carriers sell more goods abroad than it is doing. That has not been mentioned until this moment. Have you heard of it, Mr. Mundell?

MR. MUNDELL: No, and I would suggest that -- you do admit there would be an increased cost?

MR. BELL: Oh, yes, we do admit in some cases there would be an increased cost, but in some of these instances where that cost would be

the determining factor as to whether we sell or not and we have a surplus in that particular commodity, we will have to find other ways and means to overcome that increased cost.

MR. MUNDELL: You mean, in a sense you anticipate there should be some evils but you would rather fly to them than stick with what we have got?

MR. BELL: That is right.

MR. MUNDELL: Now, you mentioned certain industries that were not marginal, your general point being, I think, that you were replying to the argument they would put marginal industries out of business, for example, you mentioned gypsum, coal, the Commission was told that the gypsum plant in Newfoundland is definitely marginal, it is going to have a problem to get along in view of the very much larger production that is occurring in Nova Scotia. Supposing this increased cost were to put it out of operation, what would be the views of your Council on that situation?

MR. BELL: Well, we do not think that, for example, that the Gypsum people in Newfoundland find themselves facing in so far as marketing their goods is one that can be attributed to their higher transportation costs. We think it is a case of a smaller company in Newfoundland trying to buck a number of major international gypsum concerns that have the markets pretty well tied up. I think the same thing could apply to cement. We hear, for example, about the cement from the

American companies in Western Canada and Newfoundland wishes to sell some of its cement out there and from what we hear it is not so much the transportation facility as the overcoming of the opposition that is put there by the larger cement people.

MR. MUNDELL: What form does that opposition take, would it by any chance be a lower price?

MR. BELL: Possibly, sure, that is often done. We suspect that was the case in New Brunswick when the Newfoundland firm started to go into operation for cement and the Canada Cement people came down here and started a factory down here, we think it was just an expediency rather than discovering that there was a market down here.

MR. MUNDELL: Coming back to my original question, your counsel would be prepared to face the closing of a number of marginal industries in Newfoundland and other parts of Canada in order to maintain shipyards.

MR. BELL: No, we do not think that.

MR. MUNDELL: You would be prepared to face it. You have no figures, supposing the figures showed it was going to happen, what would you say?

MR. BELL: Then I think the whole problem would have to be tackled from another angle, I think we would have to look into the question of a combine operation as to whether or not it was necessary for those companies to close down.

MR. MUNDELL: Let us assume that it is, what position would your union take or your

Council?

MR. BELL: Well, if it is one or two industries that have to suffer for the national good, I think the industry is the same as the experience of the working people, we will just have to accept that. A large section of the working people in the ---

MR. MUNDELL: I am thinking largely of the working people in these plants. I was wondering how your Council reconciles the possible conflict of interests between the two Unions.

MR. BELL: Well, we do admit it is quite possible in the national well-being and certain smaller concerns in isolated cases, an individual person might suffer but that has been the history of progress all along.

THE CHAIRMAN: The history of progress has been somebody else producing a thing cheaper, not by some cost being increased, that is the opposite of progress.

MR. BELL: That is only where the wider monopolies came into being, you have to pay out the price they want.

MR. MUNDELL: This brings up the question of the Conference, I am not sure but I think his lordship covered it in his inquiry, but you mentioned the Conferences in Canada and we have had information on one Conference or Association operating in relation to Newfoundland and the evidence established that the Conference rate, the all-rail rate of which the Conference formed

a part, was reduced as a result of the operation of United Kingdom bottoms. What would be your answer to Conferences that might exist for the restricted trade to simply Canadian bottoms, would that not be more likely?

MR. BELL: Yes, it is quite true that the rates may increase, I would not say they would not, it is quite possible that the rates could increase.

MR. MUNDELL: Has your Union any information on any other Conferences?

MR. BELL: No, the only Conferences that we are aware of is the eastbound-westbound Conference that is international,and the coastal Conference that is generally held in Montreal.

MR. MUNDELL: I was really just talking to the coastal one, then the only one you know of is the alleged one in Newfoundland?

MR. BELL: Yes.

MR. MUNDELL: I would just like, if I may, to summarize my understanding of your recommendations and find out whether they are right; you are recommending, firstly, restriction of all coasting trade -- I am leaving out the deep-sea -- coasting trade to Canadian built and registered bottoms. Secondly, you are recommending a subsidy, a construction subsidy. Thirdly, you are recommending differential charges in the St. Lawrence Seaway against foreign vessels?

MR. BELL: That is right, tolls.

MR. MUNDELL: And, fourthly, you want to

tighten the restrictions on foreign-built ships, are those all your submissions?

MR. BELL: Yes, in addition to these largely general recommendations of marine insurance and the super-liners.

MR. MUNDELL: That is 5 and 6?

MR. BELL: Yes.

MR. MUNDELL: Then, you put forward, as I understand it, four, really I think three arguments, integration?

MR. BELL: Yes.

MR. MUNDELL: Two, that it is a vital link in our transportation system that we must maintain Canadian bottoms?

MR. BELL: Yes.

MR. MUNDELL: And, thirdly, defence?

MR. BELL: That is right.

MR. MUNDELL: Those are really the three?

MR. BELL: Yes.

MR. MUNDELL: Supposing it all came down to defence, would you have any idea of what size of ship-building industry should be maintained for defence purposes?

MR. BELL: We have recommended, we understand there is some type of policy that the Canadian Maritime Commission has sought in conjunction with the Federal Government that shipyards be encouraged to maintain a minimum of 7500 employees. Now, there may have been some revision of late on that which we do not know of, but from time to time we

have gone on record as pointing out that this figure should be at least doubled, that the Canadian shipbuilding industry should not be any lower than it is at the moment and it is now down to somewheres around 19,000 and we contend it is just reaching the danger point now.

MR. MUNDELL: And your recommendation would be?

MR. BELL: To hold the line.

MR. MUNDELL: As far as defence goes?

MR. BELL: Yes, for defence, from the point of defence alone, it would be jeopardizing the defence of our country if we allowed the shipbuilding industry to decline below the employment level of 19,000.

MR. MUNDELL: There is just one other general question, we will be hearing further from other unions in the west and so on, but what view does your council take on the argument that is put forward of which shipping is only one aspect, the argument that we should take from Britain things that we can take to our advantage moneywise that we can get more cheaply in order that she will have dollars to buy from us?

MR. BELL: We feel quite keenly about that trade with Great Britain, we have discussed that at some of our labour meetings and we are greatly disturbed with our trade balance with the Commonwealth as against the United States. On one hand we are becoming so dependent with our trade from the United States that we are buying more from the

United States than we are selling and in selling goods we are selling them at our cost and buying them back at higher cost. Our trade balance with the United Kingdom, particularly Great Britain, is the opposite, we have been continually buying less than what we have been selling them and we contend that that is another sort of a problem that we face as a nation that has to be re-adjusted, and, if necessary, we should accept the currency of Commonwealth countries and other currencies in order to develop that trade further.

MR. MUNDELL: You have to bring your currency, your quantities of each currency into balance sooner or later, you cannot eat the currency. Would you agree that possibly because Britain has a history as a great shipping country, few resources, one of her biggest resources being shipbuilding, if you agree she is in serious position otherwise would you not agree it would be the best thing for us to do?

MR. BELL: We have noticed some trends of late and we doubt very much how much British shipping is being retained under British hands and how much of it is being taken over by foreign control, and in this taking over of foreign control how much of the earnings of these ships may be diverted outside of the United Kingdom. Now, for instance, again in the Nautical Magazine ---

MR. MUNDELL: I can see I have fallen into a trap, you have the information right at hand.

MR. BELL: It says here:

"Greek finance is gaining such a swift "foothold in the world's cargo shipping that "almost all of this class of shipping will be "completely Greek-controlled within an "appreciably short time.

"Already a substantial portion of "Britain's tramp fleet is managed by Greeks "and an upheaval in the tanker trade was "precipitated when a Greek signed an agreement "with Saudi Arabia for the transport of that "country's oil.

"The Greeks are astute shipowners, but "owing to the uncertainties of Europe and "political upheavals, are registering their "ships and founding their companies in other "parts of the world. . . .

"Well-known Greek names in Britain's "shipping industry are Mavroleon, Niachos, "Goulandris, Livanos, Rethymnis and "Kulukundis. Chief of the Greek shipowners, "formerly operating from Britain, is "Aristoteles Socrates Onassis, who has "built up a fleet of 1,250,000 tons of tanker "and dry cargo shipping."

MR. MUNDELL: I think you made your point but I am not sure at the moment, but I think Greece is in the sterling bloc , is she not? The members of the bloc have only available to them the total number of dollars going to the bloc , they may be

redistributed around there so, even if you are correct, it still may mean dollars to Britain, your Council thinks it is not one of the ways in which the dollar should be made available?

MR. BELL: That is right.

MR. MUNDELL: As a matter of fact, that is your position?

MR. BELL: Yes.

MR. MUNDELL: I think that is all, sir.

THE CHAIRMAN: Thank you, Mr. Bell.

MR. MUNDELL: There was one other brief or two other briefs filed in relation to Saint John, one, McAvity & Sons Limited, did not wish to appear, the other was the Board of Trade of Grand Manan who were notified by letter of the date of the hearings and the hearings were also advertised in the paper and we have had no communication from them.

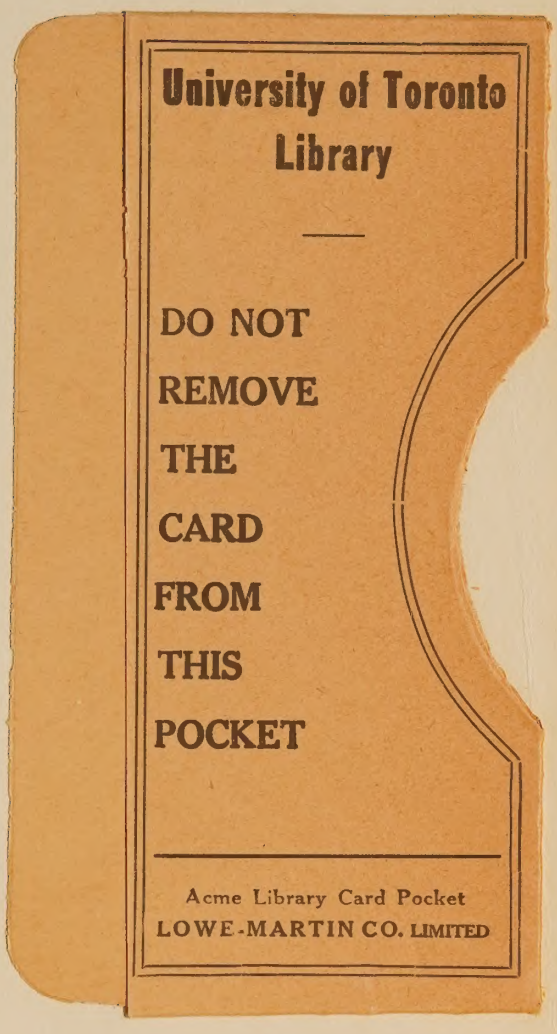
THE CHAIRMAN: Well, we must presume they did not wish to add or implement the brief.

MR. MUNDELL: The brief was in the form of a resolution and did not appear as if it would be supported here.

THE CHAIRMAN: It would appear we have concluded our hearing at Saint John, and may I thank those who have appeared before the Commission for their very great assistance and assure them that all the submissions made and the outline of facts which they have given will be given our very serious consideration.

---Whereupon the Commission adjourned.

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